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**PRELIMINARY OFFICIAL STATEMENT**

**Dated March 24, 2026**

**NEW ISSUE – Book-Entry-Only**

**Rating: S&P: “AAA” / “AA-”  
PSF Guaranteed  
(See “OTHER INFORMATION – Rating” and  
“APPENDIX D – THE PERMANENT SCHOOL FUND  
GUARANTEE PROGRAM” herein)**

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

**DENVER CITY ISO**



**\$35,520,000\***

**DENVER CITY INDEPENDENT SCHOOL DISTRICT  
(A Political Subdivision of the State of Texas Located in Yoakum County)  
UNLIMITED TAX REFUNDING BONDS, SERIES 2026**

**Dated Date: May 6, 2026**

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

**Interest Accrues from the Date of Initial Delivery (defined below)**

**PAYMENT TERMS . . .** The Denver City Independent School District (the “Issuer” or “District”) is issuing \$35,520,000\* Unlimited Tax Refunding Bonds, Series 2026 (the “Bonds”). Interest on the Bonds will accrue from the Date of Initial Delivery to the Underwriters (defined below) and will be payable initially on August 15, 2026, and each February 15 and August 15 thereafter until stated maturity or prior redemption. The Bonds will be issued in denominations of \$5,000 of principal amount or any integral multiple thereof within a maturity. Interest on the Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The 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. **No physical delivery of the Bonds will be made to the owners thereof** (see “THE BONDS – Book-Entry-Only System”). The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas (see “THE BONDS – Paying Agent/Registrar”).

**AUTHORITY FOR ISSUANCE . . .** The Bonds are being issued by the District pursuant to the Constitution and general laws of the State of Texas, including Chapter 1207, Texas Government Code, as amended (“Chapter 1207”), and an order authorizing the issuance of the Bonds (the “Bond Order”) adopted by the Board of Trustees (the “Board”) of the District on March 23, 2026. As permitted by Chapter 1207, the Board, in the Bond Order, authorized certain designated officers of the District to execute a pricing certificate (the “Pricing Certificate”) establishing the terms of sale of the Bonds and finalizing certain characteristics thereof related to final pricing of the Bonds. The Bond Order and the Pricing Certificate are collectively referred to herein as the “Order.” See “THE BONDS – Authority for Issuance” herein. **The District has applied for and received conditional approval from the Texas Education Agency for the Bonds to be guaranteed by the Permanent School Fund Guarantee Program, which will automatically become effective when the Attorney General of Texas approves the Bonds (see “APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM”).**

**PURPOSE . . .** Proceeds from the sale of the Bonds will be used (i) to refund certain outstanding debt of the District as disclosed in SCHEDULE I hereto (the “Refunded Bonds”) to achieve debt service savings, and (ii) to pay the costs of issuing the Bonds. See “THE BONDS – Purpose” and “THE BONDS – Sources and Uses of Proceeds” herein.

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**CUSIP PREFIX: 249145  
MATURITY SCHEDULE  
Shown on the inside cover page**

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**LEGALITY . . .** The Bonds are offered for delivery when, as and if issued, and accepted by the initial Underwriters thereof named below (the “Underwriters”), subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., 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, San Antonio, Texas.

**DELIVERY . . .** It is expected that the Bonds will be available for delivery through DTC on May 6, 2026 (the “Date of Initial Delivery”).

**JEFFERIES**

**FROST BANK**

**RAMIREZ & CO., INC.**

\*Preliminary, subject to change.

**\$35,520,000\***  
**DENVER CITY INDEPENDENT SCHOOL DISTRICT**  
*(A Political Subdivision of the State of Texas Located in Yoakum County)*  
**UNLIMITED TAX REFUNDING BONDS, SERIES 2026**

**CUSIP PREFIX<sup>(1)</sup>: 249145**

**MATURITY SCHEDULE\***

Maturity (February 15)	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix <sup>(1)</sup>
2027	\$ 955,000			
2028	1,005,000			
2029	1,055,000			
2030	1,110,000			
2031	1,165,000			
2032	1,225,000			
2033	1,295,000			
2034	2,890,000			
2035	3,035,000			
2036	3,190,000			
2037	3,355,000			
2038	3,530,000			
2039	3,710,000			
2040	3,900,000			
2041	4,100,000			

**(Interest Accrues from the Date of Initial Delivery)**

\*Preliminary, subject to change.

<sup>(1)</sup> CUSIP data is provided by CUSIP Global Services, managed by FactSet Research Systems, Inc. on behalf of the American Bankers Association. 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 take any responsibility for the accuracy of CUSIP numbers.

**REDEMPTION . . .** The District reserves the right, at its option, to redeem the Bonds having stated maturities on and after February 15, 2037, in whole or from time to time in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2036, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE BONDS – Redemption”). The Bonds will be subject to mandatory redemption in the event the Underwriters elect to aggregate two or more consecutive stated maturities as one or more “Term Bonds.”

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

## USE OF INFORMATION IN THE OFFICIAL STATEMENT

*For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended (the “Rule”), this document constitutes an “official statement” of the District with respect to the Bonds that has been “deemed final” by the District as of its date except for the omission of the information permitted by the Rule.*

*No dealer, broker, salesman or other person has been authorized by the District, the Financial Advisor, or the Underwriters to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the District, the Financial Advisor or the Underwriters. This Official Statement does not constitute an offer to sell Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer in such jurisdiction.*

*Certain information set forth herein has been obtained from the District and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Financial Advisor or the Underwriters. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof.*

*See “APPENDIX D – PERMANENT SCHOOL FUND GUARANTEE PROGRAM – PSF Continuing Disclosure Undertaking” and “CONTINUING DISCLOSURE OF INFORMATION” for a description of the undertakings of the Texas Education Agency (“TEA”) and the District, respectively, to provide certain information on a continuing basis.*

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

*NONE OF THE DISTRICT, ITS FINANCIAL ADVISOR OR THE UNDERWRITERS MAKE 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 TEA DESCRIBED UNDER APPENDIX D “THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM,” AS SUCH INFORMATION IS PROVIDED BY DTC AND THE TEA, RESPECTIVELY.*

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

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

*The agreements of the District and others related to the Bonds are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Bonds is to be construed as constituting an agreement with the Underwriters 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 left blank intentionally.]*

**TABLE OF CONTENTS**

<b>COVER PAGE</b> .....	<b>1</b>
<b>MATURITY SCHEDULE</b> .....	<b>2</b>
<b>USE OF INFORMATION IN THE OFFICIAL STATEMENT</b> .....	<b>3</b>
<b>DISTRICT OFFICIALS, STAFF AND CONSULTANTS</b> .....	<b>5</b>
<b>ELECTED OFFICIALS</b> .....	<b>5</b>
<b>SELECTED ADMINISTRATIVE STAFF</b> .....	<b>5</b>
<b>CONSULTANTS AND ADVISORS</b> .....	<b>5</b>
<b>PRELIMINARY OFFICIAL STATEMENT SUMMARY</b> .....	<b>6</b>
<b>INTRODUCTION</b> .....	<b>8</b>
<b>PLAN OF FINANCING</b> .....	<b>8</b>
<b>THE BONDS</b> .....	<b>9</b>
<b>THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM</b> .....	<b>13</b>
<b>STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS</b> .....	<b>14</b>
<b>CURRENT PUBLIC SCHOOL FINANCE SYSTEM</b> .....	<b>14</b>
<b>THE SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT</b> .....	<b>18</b>
<b>TAX RATE LIMITATIONS</b> .....	<b>18</b>
<b>AD VALOREM TAX PROCEDURES</b> .....	<b>20</b>
<b>INVESTMENTS</b> .....	<b>24</b>
<b>CURRENT INVESTMENTS</b> .....	<b>24</b>
<b>TAX MATTERS</b> .....	<b>24</b>
<b>CONTINUING DISCLOSURE OF INFORMATION</b> .....	<b>26</b>
<b>LEGAL MATTERS</b> .....	<b>28</b>
<b>OTHER INFORMATION</b> .....	<b>28</b>
<b>SCHEDULE I – TABLE OF REFUNDED BONDS</b> .....	<b>31</b>
<b>APPENDICES:</b>	
<b>FINANCIAL INFORMATION OF THE ISSUER</b> .....	<b>APPENDIX A</b>
<b>GENERAL INFORMATION REGARDING THE DISTRICT</b> .....	<b>APPENDIX B</b>
<b>FORM OF BOND COUNSEL’S OPINION</b> .....	<b>APPENDIX C</b>
<b>THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM</b> .....	<b>APPENDIX D</b>
<b>EXCERPTS FROM THE DISTRICT’S ANNUAL FINANCIAL REPORT</b> .....	<b>APPENDIX E</b>

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

**DISTRICT OFFICIALS, STAFF AND CONSULTANTS**

**ELECTED OFFICIALS**

Name	Years Served	Term Expires (May)	Occupation
Mr. Cody Ellison President	4	2027	Farmer
Dr. Alan Peters Vice President	3	2026	Crop Adviser
Mr. Bo Wells Secretary	4	2028	Corrosion Specialist
Mr. Eloy Gutierrez Member	6	2026	Trucking Manger
Mr. Cecil Robles, Jr. Member	6	2026	Trucking Specialist
Mr. Brad Woosley Member	15	2028	General Tire Manager
Mr. Danny Escalante Member	8	2027	Oil Field Worker

**SELECTED ADMINISTRATIVE STAFF**

Name	Position	Years of Service with the District	Years of Service in Present Position
Mr. Rick Martinez	Superintendent	14	3
Ms. Kristi Ivy	Chief Financial Officer	23	3

**CONSULTANTS AND ADVISORS**

Bond Counsel ..... McCall, Parkhurst & Horton L.L.P.  
 Austin, Texas  
 Financial Advisor ..... Specialized Public Finance Inc.  
 San Antonio, Texas  
 Auditors ..... Bennett Bennett & Trice, PLLC  
 Lamesa, Texas

For additional information regarding the District, please contact:

Ms. Kristi Ivy  
 Chief Financial Officer  
**Denver City Independent School District**  
 501 Mustang Avenue  
 Denver City, Texas 79323  
 Phone: (806) 592-5900  
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or

Mr. Victor Quiroga, Jr.  
 Managing Director  
**Specialized Public Finance Inc.**  
 17721 Rogers Ranch Parkway, Suite 140  
 San Antonio, Texas 78258  
 Phone: (210) 239-0204  
[victor@spfmuni.com](mailto:victor@spfmuni.com)

## PRELIMINARY OFFICIAL STATEMENT SUMMARY

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

<b>THE DISTRICT</b> .....	The Denver City Independent School District (the “District”) is a political subdivision located in Yoakum County, Texas. The District encompasses approximately 155.63 square miles in area (see “INTRODUCTION – Description of the District”).
<b>THE BONDS</b> .....	The Bonds are being issued as \$35,520,000* Unlimited Tax Refunding Bonds, Series 2026 (the “Bonds”) and will be dated May 6, 2026. The Bonds will be issued as serial bonds maturing February 15 in the years 2027 through 2041*, unless the Underwriters elect to aggregate two or more consecutive maturities as “Term Bonds.”
<b>PAYMENT OF INTEREST</b> .....	Interest on the Bonds will accrue from the Date of Initial Delivery (as defined below) and will be payable initially on August 15, 2026, and each February 15 and August 15 thereafter until stated maturity or prior redemption (see “THE BONDS – Description of the Bonds”).
<b>AUTHORITY FOR ISSUANCE</b> .....	The Bonds are being issued by the District pursuant to the Constitution and general laws of the State of Texas, including, Chapter 1207, Texas Government Code, as amended (“Chapter 1207”), and an order authorizing the issuance of the Bonds (the “Bond Order”) adopted by the Board on March 23, 2026. As permitted by Chapter 1207, the Board, in the Bond Order, authorized certain designated officers of the District to execute a pricing certificate (the “Pricing Certificate”) establishing the terms of sale of the Bonds and finalizing certain characteristics thereof related to final pricing of the Bonds (the Bond Order and the Pricing Certificate are collectively referred to herein as the “Order”) (see “THE BONDS – Authority for Issuance”).
<b>PAYING AGENT/REGISTRAR</b> .....	The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas.
<b>SECURITY FOR THE BONDS</b> .....	The Bonds constitute direct obligations of the District, payable from a continuing direct annual ad valorem tax levied by the District, without legal limit as to rate or amount, on all taxable property located within the District (see “THE BONDS – Security and Source of Payment”).
<b>OPTIONAL REDEMPTION</b> .....	The District reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2037, in whole or from time to time in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2036, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. Additionally, the Bonds may be subject to mandatory redemption in the event the Underwriters elect to aggregate two or more consecutive stated maturities of the Bonds as “Term Bonds” (see “THE BONDS – Redemption” herein).
<b>TAX EXEMPTION</b> .....	In the opinion of McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under “TAX MATTERS” herein, including the alternative minimum tax on certain corporations (see “TAX MATTERS” and “APPENDIX C – FORM OF BOND COUNSEL’S OPINION” herein).
<b>PERMANENT SCHOOL FUND GUARANTEE</b> .....	The District has applied for and received conditional approval from the Texas Education Agency (the “TEA”) for the Bonds to be guaranteed under the State of Texas Permanent School Fund Guarantee Program, which guarantee will automatically become effective when the Attorney General of Texas approves the Bonds (see “APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” herein).

\*Preliminary, subject to change.

**USE OF PROCEEDS** ..... Proceeds from the sale of the Bonds will be used (i) to refund certain outstanding debt of the District as disclosed in SCHEDULE I hereto (the “Refunded Bonds”) to achieve debt service savings, and (ii) to pay the costs of issuing the Bonds. See “PLAN OF FINANCING – Refunded Bonds,” and “THE BONDS – Purpose and – Sources and Uses of Proceeds” herein.

**RATING** ..... The Bonds have been rated “AAA” by S&P Global Ratings (“S&P”) by virtue of the guarantee of the Permanent School Guarantee Program. The Bonds, together with the District’s tax supported indebtedness, is rated “AA-” by S&P without regard to credit enhancement (see “OTHER INFORMATION – Rating”).

**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 in principal amount. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Debt service 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 in payment of its tax supported debt.

**DATE OF INITIAL DELIVERY** ..... When issued, anticipated on May 6, 2026 (the “Date of Initial Delivery”).

**LEGALITY** ..... Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel.

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

**PRELIMINARY OFFICIAL STATEMENT  
RELATING TO  
\$35,520,000\*  
DENVER CITY INDEPENDENT SCHOOL DISTRICT  
UNLIMITED TAX REFUNDING BONDS, SERIES 2026**

**INTRODUCTION**

This Official Statement provides certain information in connection with the issuance by the Denver City Independent School District (the “District” or “Issuer”) of its Unlimited Tax Refunding Bonds, Series 2026 (the “Bonds”). The District is a corporate and a political subdivision of the State of Texas (the “State”) duly organized and existing under the laws of the State.

There follows in this Official Statement descriptions of the Bonds and certain information regarding the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained upon request from the District’s Financial Advisor, Specialized Public Finance Inc., San Antonio, Texas by electronic mail or upon payment of reasonable copying, handling, and delivery charges.

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

**DESCRIPTION OF THE DISTRICT.** . . . The District is a political subdivision located in Yoakum County, Texas and covers an area of approximately 155.63 square miles. The District is governed by a seven-member Board of Trustees (the “Board”), the members of which serve staggered three-year terms with elections being held in May of each year. Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools who is the chief administrative officer of the District. Support services are supplied by consultants and advisors. For additional information regarding the District, see “Appendix B – GENERAL INFORMATION REGARDING THE DISTRICT.”

**PLAN OF FINANCING**

**REFUNDED BONDS** . . . The Refunded Bonds (defined herein), and interest due thereon, are to be paid on their scheduled redemption date from cash and investments to be deposited with BOKF, NA, Dallas, Texas (the “Escrow Agent”) pursuant to an Escrow Agreement dated as of April 8, 2026 (the “Escrow Agreement”) between the District and the Escrow Agent.

The Bond 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 and sufficient to accomplish the discharge and final payment of the Refunded Bonds. Such funds shall be held by the Escrow Agent in an escrow fund (the “Escrow Fund”) irrevocably pledged to the payment of principal of and interest on the Refunded Bonds. Amounts on deposit in the Escrow Fund will be held uninvested in cash and/or used to purchase a portfolio of securities authorized by Section 1207.062, as amended, Texas Government Code, which authorization includes certain direct, noncallable obligations of the United States of America (including obligations unconditionally guaranteed by the United States of America) that are, rated as to investment quality by a nationally recognized rating firm of not less than “AAA” or its equivalent (the “Escrowed Securities”).

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 and investments held under the Escrow Agreement.

Public Finance Partners LLC (the “Verification Agent”) will verify in its verification report (the “Report”) that as of May 6, 2026 (the “Date of Initial Delivery”), the mathematical accuracy of the schedules that demonstrate the Escrowed Securities, if any, 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 (see “OTHER INFORMATION – Verification of Arithmetical and Mathematical Computations” herein).

By the deposit of the Escrowed Securities and cash, if any, with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of all of the Refunded Bonds pursuant to the terms of the District orders authorizing their issuance. It is the opinion of Bond Counsel, in reliance upon the Report, that as a result of such defeasance the Refunded Bonds will be outstanding only for the purpose of receiving payments from the Escrow Fund 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. Therefore, the District will have no further responsibility with respect to amounts available in the Escrow Fund for the payment of the Refunded Bonds from time to time, including any insufficiency therein caused by the failure to receive payment when due on the Escrowed Securities.

Upon defeasance of the Refunded Bonds, the Permanent School Fund guarantee with respect thereto will terminate.

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\*Preliminary, subject to change.

## THE BONDS

**AUTHORITY FOR ISSUANCE . . .** The Bonds are being issued by the District pursuant to the Constitution and general laws of the State, including Chapter 1207, Texas Government Code, as amended (“Chapter 1207”), and an order authorizing the issuance of the Bonds (the “Bond Order”) adopted by the Board of the District on March 23, 2026. As permitted by Chapter 1207, the Board, in the Bond Order, authorized certain designated officers of the District to execute a pricing certificate (the “Pricing Certificate”) establishing the terms of sale of the Bonds and finalizing certain characteristics thereof related to final pricing of the Bonds (the Pricing Certificate and the Bond Order are collectively referred to herein as the “Order”). **The District has applied for and received conditional approval from the Texas Education Agency for the Bonds to be guaranteed by the Permanent School Fund Guarantee Program, which will automatically become effective when the Attorney General of Texas approves the Bonds (see “APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM”).**

**PURPOSE . . .** Proceeds from the sale of the Bonds will be used (i) to refund certain outstanding debt of the District as disclosed in SCHEDULE I hereto (the “Refunded Bonds”) to achieve debt service savings, and (ii) to pay the costs of issuing the Bonds. See “PLAN OF FINANCING – Refunded Bonds,” and “THE BONDS – Sources and Uses of Proceeds” herein.

**DESCRIPTION OF THE BONDS . . .** The Bonds are dated May 6, 2026, and mature on February 15 in each of the years and in the amounts shown on page 2 hereof. Interest on the Bonds will accrue from the Date of Initial Delivery and will be initially payable on August 15, 2026, and each February 15 and August 15 thereafter until the stated maturity or prior redemption. Interest on the Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued in denominations of \$5,000 of principal amount or any integral multiple thereof within a maturity.

**SECURITY AND SOURCE OF PAYMENT . . .** The Bonds are payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, sufficient to provide for the payment of principal of and interest on the Bonds. The District has applied for and received conditional approval for the Bonds to be guaranteed by the Permanent School Fund, which guarantee will automatically become effective when the Attorney General of Texas approves the issuance of the Bonds (see “APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM”).

**PERMANENT SCHOOL FUND GUARANTEE . . .** In connection with the sale of the Bonds, the District has applied for and received conditional approval from the Commissioner of Education 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 “APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” the payment of the Bonds will be absolutely and unconditionally guaranteed by the corpus of the Permanent School Fund of the State. In the event of default by the District in the scheduled payments of the Bonds, registered owners will receive all payments due from the corpus of the Permanent School Fund.

**TAX RATE LIMITATION . . .** There is not a tax rate limitation on unlimited tax debt; however, the District must demonstrate to the Attorney General of Texas at the time of issuance that it has the ability to pay all debt service on its outstanding unlimited tax debt with a debt service tax not to exceed \$0.50 per \$100 assessed valuation. After the Bonds are issued, the District is required to establish a tax rate, without limitation, sufficient to pay debt service on all of its outstanding unlimited tax debt (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, 2037, in whole or from time to time in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2036, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. Additionally, the Bonds may be subject to mandatory sinking fund redemption in the event the Underwriters elect to aggregate two or more consecutive maturities as term bonds (such aggregated Bonds, the “Term Bonds”). Such Term Bonds will additionally be subject to mandatory sinking fund redemption.

If less than all of the Bonds are to be redeemed, the District may select the maturities of Bonds to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal amount thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

**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.

**DTC REDEMPTION PROVISIONS . . .** 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 Direct Participant (defined below) or Indirect Participant (defined below) to notify the beneficial owner, shall not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any

such notice. Redemption of portions of the Bonds by the District will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its book-entry-only system, a redemption of such Bonds held for the account of DTC Participants in accordance with its rules or other agreements with DTC Participants and then Direct Participants and Indirect Participants may implement a redemption of such Bonds and such redemption 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 Direct 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, from time to time, amend each of the Orders without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the District may, with the written consent of the registered owners of 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; except that, without the consent of the registered owners of all of the Bonds then outstanding, no such amendment, addition, or rescission may (1) extend the time or times of payment of principal of, premium, if any, or any installment of interest on any Bond, reduce the principal amount thereof, 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 for consent to any 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 the Paying Agent/Registrar or other authorized escrow agent, in trust (1) money sufficient to make such payment, (2) Government Obligations (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 Obligations sufficient to make such payment. The sufficiency of deposits 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 Obligations for the Government Obligations originally deposited, to reinvest the uninvested moneys 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 Obligations” 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 of their acquisition or purchase by the District, 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 have been refunded and, on the date of their acquisition or purchase by the District, 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 may restrict such eligible securities as deemed appropriate in connection with the sale of the Bonds. There is no assurance that the ratings for U.S. Treasury securities acquired to defease any Bonds, or those for any other Government Obligations, will be maintained at any particular rating category. Further, there is no assurance that current Texas 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, which defeasance securities may not be of the same investment quality as those currently identified Texas law as permissible defeasance securities. Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, the District has the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption at an earlier date those Bonds which have been defeased to their maturity date, if the District (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption, (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements, and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Defeasance will automatically cancel the Permanent School Fund Guarantee with respect to those defeased Bonds (see “APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” herein).

**BOOK-ENTRY-ONLY SYSTEM . . .** This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, interest, and redemption payments on the Bonds are to be paid to and credited by The Depository Trust Company (“DTC”), New York, New York, while the Bonds are registered in its nominee’s name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District, the Financial Advisor, and the Underwriters believe the source of such information 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, redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

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

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but none of the District, the Financial Advisor, or the Underwriters take any responsibility for the accuracy thereof.

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

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

**PAYING AGENT/REGISTRAR . . .** The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. In the Order, the District retains the right to replace the Paying Agent/Registrar. The District covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

**TRANSFER, EXCHANGE, AND REGISTRATION . . .** In the event the Book-Entry-Only System should be discontinued, the Bonds will be printed and delivered to the Beneficial Owners thereof, and thereafter may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar 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. A Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bond being transferred or exchanged, at the corporate trust office of the Paying Agent/Registrar (as defined in the Order), or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 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.

**LIMITATION ON TRANSFER OF BONDS . . .** The Paying Agent/Registrar shall not be required to make any transfer or exchange with respect to Bonds during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or with respect to any Bond or any portion thereof called for redemption prior to maturity, within 30 days prior to its redemption date, provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

**REPLACEMENT BONDS . . .** If any Bond is mutilated, destroyed, stolen or lost, a new Bond of the same principal amount, maturity and interest rate as the Bond so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Bond, such new Bond will be delivered only upon surrender and cancellation of such mutilated Bond. In the case of any Bond issued in lieu of and in substitution for a Bond which has been destroyed, stolen or lost, such new Bond will be delivered only (a) upon filing with the Paying Agent/Registrar of satisfactory evidence to the effect that such Bond has been destroyed, stolen or lost and proof of the ownership thereof, and (b) upon furnishing the District and the Paying Agent/Registrar with indemnity satisfactory to them. The person requesting the authentication and delivery of a new Bond must pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

**RECORD DATE FOR INTEREST PAYMENT . . .** The record date ("Record Date") for determining the party to whom the interest on a Bond is payable on any interest payment date means the close of business on the last business day of the preceding month.

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 . . .** The Order specifies events of default as the failure of the District to make payment of the principal of or interest on any of the Bonds when the same becomes due and payable or if the State fails to honor the Permanent School Fund Guarantee as herein after discussed or default in the performance or observance of any other covenant, agreement or obligation of the District, which failure materially, adversely affects the rights of the registered owners, including, but not limited to, their prospect or ability to be repaid in accordance with the Order, and the continuation thereof for a period of 60 days after notice of such default is given by any registered owner to the District. Upon an event of default, the registered owners may seek a writ of mandamus to compel District officials to carry out their legally imposed duties with respect to the Bonds, if there is no other available remedy at law to compel performance of the Bonds or the Order covenants and the District's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the District to perform in accordance with the terms of the Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas Legislature has effectively waived the District's sovereign immunity from a suit for money damages, bondholders may not be able to bring such a suit against the District for breach of the Bonds or Order covenants in the absence of District action. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the United States Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court), and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. See "APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein for a description of the procedures to be followed for payment of the Bonds by the Permanent School Fund in the event the District fails to make a payment on the Bonds when due. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors, and by general principles of equity which permit the exercise of judicial discretion.

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

<b>SOURCES OF FUNDS:</b>	
Par Amount	\$
[Net] Reoffering Premium	
Transfer from Debt Service Fund	_____
Total Sources of Funds	\$
 <b>SOURCES OF FUNDS:</b>	
Escrow Fund Deposit	\$
Underwriters' Discount	
Cost of Issuance	
Debt Service Fund Deposit	_____
Total Uses of Funds	\$

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

Local school district 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 are prohibited from levying an M&O tax at a rate intended to create a surplus in M&O tax revenues to pay the district’s debt service. Current law also requires school districts to demonstrate their ability to pay debt service on outstanding bonded indebtedness through the levy of an I&S tax at a rate not to exceed \$0.50 per \$100 of taxable value at the time bonds are issued. Once bonds are issued, however, school districts generally may levy an I&S tax sufficient to pay debt service on such bonds unlimited as to rate or amount (see “TAX RATE LIMITATIONS – I&S Tax Rate Limitations” herein). Because property values vary widely among school districts, the amount of local funding generated by school districts with the same I&S tax rate and M&O tax rate is also subject to wide variation; however, the public school finance funding formulas are designed to generally equalize, on a per-student basis, local funding generated by a school district’s M&O tax rate.

**2025 LEGISLATIVE SESSION . . .** The regular session of the 89th Texas Legislature (the “Legislature”) commenced on January 14, 2025 and concluded on June 2, 2025 (the “89th Regular Session”). The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor 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 special session which began on July 21, 2025 and ended on August 15, 2025. The Governor called a special second session, which began on August 15, 2025 and ended on September 4, 2025.

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 a Statewide election held on November 4, 2025, and legislation passed by both houses of the Legislature there is an increase in: (1) the State mandated general homestead exemption from \$100,000 to \$140,000, (2) the additional exemption on the residence homesteads of those at least sixty-five (65) years of age or disabled from \$10,000 to \$60,000, and (3) the exemption for tangible personal property used in the production of income from the current \$2,500 to \$125,000. Additionally, the Legislature passed legislation that authorizes roughly \$8.5 billion in funding for public schools and provides districts with a \$55 per-student increase to their base funding beginning September 1, 2025, as well as providing 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. The legislation becomes effective September 1, 2025, when the state fiscal biennium begins, though families will not receive ESA funds until the 2026-2027 school year. The amount spent for purposes of the program for the 2025-2027 biennium may not exceed \$1 billion. Beginning on September 1, 2027, the legislation requires the Legislature to re-appropriate funds for the program for each subsequent State fiscal biennium. Such program could impact attendance in the District by incentivizing students to homeschool or attend private schools, which could negatively affect the District's attendance-based funding.

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

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

**State Compression Percentage . . .** The State Compression Percentage (the "SCP") is a statutorily-defined percentage of the rate of \$1.00 per \$100 that is used to determine a school district's Maximum Compressed Tax Rate (described below). The SCP is the lesser of three alternative calculations: (1) 93% or a lower percentage set by appropriation for a school year; (2) a percentage determined by formula if the estimated total taxable property value of the State (as submitted annually to the State Legislature by the State Comptroller) has increased by at least 2.5% over the prior year; and (3) the prior year SCP. For any year, the maximum SCP is 93%. For the State fiscal year ending in 2026, the SCP is set at 63.22%.

**Maximum Compressed Tax Rate . . .** The Maximum Compressed Tax Rate (the "MCR") is the tax rate per \$100 of valuation of taxable property at which a school district must levy its Tier One Tax Rate to receive the full amount of the Tier One funding to which the school district is entitled. The MCR is equal to the lesser of two alternative calculations: (1) the school district's current year SCP multiplied by \$1.00; or (2) a percentage determined by formula if the school district experienced a year-over-year increase in property value of at least 2.5% (if the increase in property value is less than 2.5%, then the MCR is equal to the prior year MCR). However, each year the TEA shall evaluate the MCR for each school district in the State, and for any given year, if a school district's MCR is calculated to be less than 90% of any other school district's MCR for the current year, then the school district's MCR is instead equal to the school district's prior year MCR, until TEA determines that the difference between the school district's MCR and any other school district's MCR is not more than 10%. These compression formulas are intended to more closely equalize local generation of Tier One funding among districts with disparate tax bases and generally reduce the Tier One Tax Rates of school districts as property values increase. During the 2025 Legislative Session, the Legislature took action to reduce the MCR for the 2025-2026 school year. The MCR for the 2025-2026 school year is \$0.6322 and the floor is \$0.5689.

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 increases (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 takes effect for the tax year beginning January 1, 2025.

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

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

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

School districts may levy an Enrichment Tax Rate at a level of their choice, subject to the limitations described under “TAX RATE LIMITATIONS – Public Hearing and Voter-Approval Tax Rate”; however, to levy any of the Enrichment Tax Rate in a given year, a school district must levy a Tier One Tax Rate equal to the school district’s MCR.

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

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

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

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

**Tier One . . .** Tier One funding is the basic level of funding guaranteed to a school district, consisting of a State-appropriated baseline level of funding (the “Basic Allotment”) for each student in “Average Daily Attendance” (being generally calculated as the sum of student attendance, other than students in average daily attendance who do not reside in the district and are enrolled in a full-time virtual program, for each State-mandated day of instruction divided by the number of State-mandated days of instruction, defined herein as “ADA”). The Basic Allotment is revised downward if a school district’s Tier One Tax Rate is less than the State-determined threshold. The Basic Allotment is supplemented by additional State funds, allotted based upon unique school district characteristics and demographics of students in ADA, to make up most of a school district’s Tier One entitlement under the Foundation School Program.

The Basic Allotment for school districts with a Tier One Tax Rate equal to the school district’s MCR, is \$6,160 plus the guaranteed yield increment adjustment (the “GYIA”) for each student in ADA and is revised downward for school districts with a Tier One Tax Rate lower than the school district’s MCR. The GYIA is established by October 1 of each even-numbered year for the subsequent biennium. For the 2026-27 biennium, the GYIA is set at \$55. The Basic Allotment is then supplemented for all school districts by various weights to account for differences among school districts and their student populations. Such additional allotments include, but are not limited to, increased funds for students in ADA who: (i) attend a qualified special education program, (ii) are diagnosed with dyslexia or a related disorder, (iii) are economically disadvantaged, or (iv) have limited English language proficiency. Additional allotments to mitigate differences among school districts include, but are not limited to: (i) a transportation allotment for mileage associated with transporting students who reside two miles or more from their home campus, (ii) a fast growth allotment (for school districts in the top 25% of enrollment growth relative to other school districts), (iii) a college, career and military readiness allotment to further the State’s goal of increasing the number of students who attain a post-secondary education or workforce credential, and (iv) a teacher incentive allotment to increase teacher compensation and retention in disadvantaged or rural school districts. A school district’s total Tier One funding, divided by the district’s Basic Allotment is a school district’s measure of students in “Weighted Average Daily Attendance” (“WADA”), which serves to calculate Tier Two funding.

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

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

levied of \$129.52 per student in WADA. Copper Pennies generate a guaranteed yield per student in WADA equal to the school district's Basic Allotment multiplied by 0.008. For the 2026-2027 State fiscal biennium, school districts are guaranteed a yield on each Copper Penny levied of \$49.72 per student in WADA.

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

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

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

A school district may also qualify for a NIFA allotment, which provides assistance to school districts for operational expenses associated with opening new instructional facilities or a renovated portion of an instructional facility to be used for the first time to provide high-cost and undersubscribed career and technology education programs, as determined by the Commissioner. In the 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, if any increase in a residence homestead exemption under the Texas Constitution, and any additional limitation on tax increases under the elderly or disabled tax ceiling had not occurred.

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

the Foundation School Program, although they may continue to receive State funds for certain competitive grants and certain programs that remain outside the Foundation School Program.

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

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

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

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

For the 2025-2026 school year, the District was designated as an “excess local revenue” school district under Chapter 49 by TEA. Accordingly, the District has entered into a wealth equalization agreement with the Commissioner for the purchase of attendance credits for the 2025-26 school year, for the purpose of implementing permitted wealth equalization options.

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

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

## **TAX RATE LIMITATIONS**

**M&O TAX RATE LIMITATIONS . . .** The District is authorized to levy an M&O tax rate pursuant to the approval of the voters of the District at an election held on August 2, 1956, in accordance with the provisions of Article 2784e-1, Tex. Rev. Civ. Stats. Ann., as amended.

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

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

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

Section 45.0031 of the Texas Education Code, as amended, requires a school district to demonstrate to the Texas Attorney General that it has the prospective ability to pay its maximum annual debt service on a proposed issue of bonds and all previously issued bonds, other than bonds approved by voters of a school district at an election held on or before April 1, 1991 and issued before September 1, 1992 (or debt issued to refund such bonds, collectively, “exempt bonds”), from a tax levied at a rate of \$0.50 per \$100 of assessed valuation before bonds may be issued (the “50-cent Test”). In demonstrating the ability to pay debt service at a rate of \$0.50, a school district may take into account EDA and IFA allotments to the school district, which effectively reduces the school district’s local share of debt service and may also take into account Tier One funds allotted to the school district. If a school district exercises this option, it may not adopt an I&S tax until it has credited to the school district’s I&S fund an amount equal to all State allotments provided solely for payment of debt service and any Tier One funds needed to demonstrate compliance with the threshold tax rate test and which is received or to be received in that year. Additionally, a school district may demonstrate its ability to comply with the 50-cent Test by applying the \$0.50 tax rate to an amount equal to 90% of projected future taxable value of property in the school district, as certified by a registered professional appraiser, anticipated for the earlier of the tax year five (5) years after the current tax year or the tax year in which the final payment for the bonds is due. However, if a school district uses projected future taxable values to meet the 50-cent Test and subsequently imposes a tax at a rate greater than \$0.50 per \$100 of valuation to pay for bonds subject to the test, then for subsequent bond issues, the Texas Attorney General must find that the school district has the projected ability to pay principal and interest on the proposed bonds and all previously issued bonds subject to the 50-cent Test from a tax rate of \$0.45 per \$100 of valuation. Once the prospective ability to pay such tax has been shown and the bonds are issued, a school district may levy an unlimited tax to pay debt service. Refunding bonds issued pursuant to Chapter 1207, Texas Government Code, are not subject to the 50-cent Test; however, taxes levied to pay debt service on such bonds (other than bonds issued to refund exempt bonds) are included in maximum annual debt service for calculation of the 50-cent Test when applied to subsequent bond issues that are subject to the 50-cent Test. The Bonds are issued as refunding bonds under Chapter 1207 and are therefore not subject to the \$0.50 threshold tax test; however, taxes levied to pay new debt service on the Bonds are included in the calculation of the \$0.50 tax rate 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 (60th) day after the date the certified appraisal roll is received by the taxing unit, except that a tax rate that exceeds the Voter-Approval Tax Rate must be adopted not later than the seventy-first (71st) day before the next occurring November uniform election date. A school district’s failure to adopt a tax rate equal to or less than the Voter-Approval Tax Rate by September 30 or the sixtieth (60th) day after receipt of the certified appraisal roll, will result in the tax rate for such school district for the tax year to be the lower of the “no-new-revenue tax rate” calculated for that tax year or the tax rate adopted by the school district for the preceding tax year. A school district’s failure to adopt a tax rate in excess of the Voter-Approval Tax Rate on or prior to the seventy-first (71st) day before the next occurring November uniform election date, will result in the school district adopting a tax rate equal to or less than its Voter-Approval Tax Rate by the later of September 30 or the sixtieth (60th) day after receipt of the certified appraisal roll. “No-new-revenue tax rate” means the rate that will produce the prior year’s total tax levy from the current year’s total taxable values, adjusted such that lost values are not included in the calculation of the prior year’s taxable values and new values are not included in the current year’s taxable values.

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

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

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

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

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

## AD VALOREM TAX PROCEDURES

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

**VALUATION OF TAXABLE PROPERTY . . .** The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the District is the responsibility of the Yoakum County Appraisal District (the "Appraisal District"). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in their 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 2026 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5.32 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 owner of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified as both agricultural and open-space land.

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

**STATE MANDATED HOMESTEAD EXEMPTIONS . . .** State law grants, with respect to each school district in the State, (1) a \$140,000 exemption of the appraised value of all homesteads, (2) a \$60,000 exemption of the appraised value of the homesteads of persons 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.

**LOCAL OPTION HOMESTEAD EXEMPTIONS . . .** The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than \$5,000) and (2) an additional exemption of at least \$3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each

taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit. Cities, counties, and school districts are prohibited from repealing or reducing an optional homestead exemption 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. See “APPENDEX A – Table 1 Assessed Valuation for the reduction in taxable valuation attributable to the freeze or taxes for the elderly and disabled.

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

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

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

A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property. See “APPENDIX A – Financial Information of the Issuer – Assessed Valuation” for the reduction in taxable valuation, if any, attributable to Goods-in-Transit or Freeport Property exemptions.

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

**TEMPORARY EXEMPTION FOR QUALIFIED PROPERTY DAMAGED BY A DISASTER . . .** The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the Governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. Except in situations where the territory is declared a disaster on or after the date the taxing unit adopts a tax rate for the year in which the disaster declaration is issued, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the Governor declares the area to be a disaster area. The Legislature amended Section 11.35 Tax Code to clarify that “damage” for the 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), allowed school districts to grant limitations on appraised property values to certain corporations and limited liability companies to encourage economic development within the school district. Generally, during the last eight (8) years of the ten-year term of a tax limitation agreement, a school district could only levy and collect M&O taxes on the agreed-to limited appraised property value. For the purpose of calculating its Tier One and Tier Two entitlements, the portion of a school district's property that is not fully taxable is excluded from the school district's taxable property values. Therefore, a school district will not be subject to a reduction in Tier One or Tier Two State funds as a result of lost M&O tax revenues due to entering into a tax limitation agreement (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts"). The 87th Texas Legislature did not vote to extend this program, which expired by its terms, effective December 31, 2022.

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

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

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

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

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount," as determined by the State Comptroller, and situated in a county with a population of 1.2 million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount was set at \$62,883,169 for the 2026 tax year and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda that could result in the repeal of certain tax increases (see "TAX RATE LIMITATIONS – Public Hearing and Voter-Approval Tax Rate"). The Property Tax Code also establishes a procedure for providing notice to property owners of reappraisals reflecting increased property value, reappraisals which are higher than renditions, and reappraisals 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, split payment, partial payment, and discounts for early payment of taxes under certain circumstances. The Property Tax Code permits taxpayers owning homes or certain businesses located in a disaster area and damaged as a direct result of the declared disaster to pay taxes imposed in the year following the disaster in four equal installments without penalty or interest, commencing on February 1 and ending on August 1. See "AD VALOREM TAX PROCEDURES – Temporary Exemption for Qualified Property Damaged by a Disaster" for further information related to a discussion of the applicability of this section of the Property Tax Code.

**DISTRICT'S RIGHTS IN THE EVENT OF TAX DELINQUENCIES . . .** Taxes levied by the District are a personal obligation of the owner of the property. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalties, 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 action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

**DISTRICT APPLICATION OF TAX CODE . . .** The District does grant a State mandated \$140,000 general residence homestead exemption.

The District does grant a State mandated \$60,000 residence homestead exemption for taxpayers who are at least 65 years of age or disabled. A taxpayer who qualifies for both the age 65 or older exemption and the disabled exemption must choose only one of the options to claim.

The District does grant a State mandated residence homestead exemption for disabled veterans ranging from \$5,000 to \$12,000.

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

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

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

The District does tax non-business personal property.

The Yoakum County Tax Assessor/Collector collects taxes for the District.

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

The District does tax freeport property.

The District does tax goods-in-transit.

The District has not adopted a tax abatement policy.

The District does not participate in any TIFs.

The District has not entered into any appraised value limitation agreements pursuant to the Texas Economic Development Act, Chapter 313, Texas Tax Code.

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## INVESTMENTS

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

**LEGAL INVESTMENTS . . .** Under State law 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 “AAA-m”-rated investment pools that invest solely in investments described above; (15) in the case of bond proceeds, guaranteed investment contracts that are secured by obligations described in clauses (1) through (7) above and, except for debt service funds and reserves, have a term of 5 years or less; and (16) aggregate repurchase agreement transactions entered into by an investing entity in conformity with the provisions of subsections (a-1), (f), and (g) of Section 2256.011 of the Public Funds Investment Act.

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. No person may invest District funds without express written authority from the Board.

### CURRENT INVESTMENTS (UNAUDITED)

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As of February 1, 2026, the District’s investable funds were invested in the following:

<u>Type of Investment</u>	<u>Amount</u>
Lone Star	\$ 45,290,626
Total	\$ 45,290,626

## TAX MATTERS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## CONTINUING DISCLOSURE OF INFORMATION

In the Order, the District has made the following agreements for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreements for so long as it remains obligated to advance funds to pay the Bonds. Under the agreements, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the MSRB. For a description of the continuing disclosure obligations of the TEA, see "APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM."

**ANNUAL REPORTS . . .** The District will provide this updated financial information and operating data to the MSRB annually in an electronic format as prescribed by 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 Table 1 of this Official Statement and in Tables 1 through 14 in APPENDIX A. The District will update and provide this information within twelve months after the end of each fiscal year, commencing in 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 Internet Web site or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule"). The District will provide audited financial statements within twelve months after the end of each fiscal year, commencing in 2026, 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 of the type described above by the required time and will provide audited financial statements when and if such audited financial statements become available. Any financial statements will be prepared in accordance with the accounting principles described in APPENDIX E or such other accounting principles as the District may be required to employ from time to time pursuant to Texas law or regulation. The District's current fiscal year end is August 31. Accordingly, it must make available updated financial and operating data and financial statements August 31 in each year,

unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change. The District will provide the updated information to the MSRB in an electronic format, which will be available to the general public without charge via the MSRB's EMMA system at [www.emma.msrb.org](http://www.emma.msrb.org).

**NOTICE OF CERTAIN EVENTS . . .** The District also will provide timely notices of certain events to the MSRB. The District will provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten (10) business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) the appointment of a successor or additional paying agent/registrar or change of name of the 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 security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties. In 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 annual financial information in accordance with their agreements described above under "Annual Reports." Neither the Bonds nor the Order make any provision for liquidity enhancement, credit enhancement (except for the Permanent School Fund Guarantee) or debt service reserves.

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 the 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.

**NOTICE OF FAILURE TO TIMELY FILE . . .** The District also will notify the MSRB through EMMA, in a timely manner, of any failure by the District to provide financial information or operating data in accordance with the provisions described above.

**AVAILABILITY OF INFORMATION . . .** The District has agreed to provide the foregoing information only to the MSRB. The information will be available to holders of the Bonds free of charge through the MSRB's EMMA system.

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

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 registered owners of the Bonds. The District may also amend or repeal the provisions of its 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.

## LEGAL MATTERS

**LEGAL OPINION AND NO-LITIGATION CERTIFICATE . . .** The District will furnish the Underwriters with a complete transcript of proceedings incident to the authorization and issuance of the Bonds being purchased, including the unqualified approving legal opinion of the Attorney General of Texas to the effect that such Bonds are valid and legally binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, without limit as to rate or amount, upon all taxable property in the District, and the legal opinion of McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel, a copy of the proposed form of which is attached as APPENDIX C. Though it represents investment banking firms such as the Underwriters from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the District in connection with the issuance of the Bonds. McCall, Parkhurst & Horton L.L.P. also advises the TEA in connection with its disclosure obligations under federal securities laws, but this firm has not passed upon any TEA disclosures contained in the Official Statement. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information (other than any financial, technical, or statistical data therein) in this Official Statement appearing under the captions and subcaptions “PLAN OF FINANCING – Refunded Bonds,” “THE BONDS” (excluding the information under the subcaption “Permanent School Fund Guarantee,” “DTC Redemption Provisions,” “Book-Entry-Only-System,” “Sources and Uses of Proceeds,” and “Bondholders’ Remedies” as to which no opinion is expressed), “STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS,” “CURRENT PUBLIC SCHOOL FINANCE SYSTEM,” “TAX MATTERS” “THE SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT,” “TAX RATE LIMITATIONS” (first paragraph only), “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,” “LEGAL MATTERS - Legal Investments and Eligibility to Secure Public Funds in Texas,” and “LEGAL MATTERS – Legal Opinion and No-Litigation Certificate” (excluding the last sentence of the first paragraph, as to which no opinion is expressed) 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 Bond Order. 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, San Antonio, Texas, whose legal fees are contingent upon the delivery of the Bonds.

The legal opinion to be delivered concurrently with the delivery of the Bonds expresses the professional judgment of the attorneys rendering the opinion 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.

**LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS . . .** Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of at least “A” or its equivalent as to investment quality by a national rating agency. See “OTHER INFORMATION – Rating” herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with capital of 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. No review by the District has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

## OTHER INFORMATION

**RATING . . .** The Bonds have been rated “AAA” by S&P Global Ratings (“S&P”) by virtue of the guarantee of the Permanent School Fund Guarantee. The Bonds and the outstanding debt of the District is rated “AA-” by S&P without regard to credit enhancement. See “APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM.” The ratings reflect only the view of such organization at the time the ratings are given, 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 such rating company if in the judgment of the company, circumstances so warrant. Any such downward revision or withdrawal of such ratings 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.

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

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

At the time of the initial delivery of the Bonds, the District will provide the 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 they are purchasing or that affects the payment and security of said 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 other 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.

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

**VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS . . .** The Verification Agent will deliver to the District, on or before the Date of Initial Delivery of the Bonds, the Report indicating that it has verified the mathematical accuracy of (i) the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Escrowed Securities, if any, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Bonds, and (ii) the mathematical computations of yields used by Bond Counsel to support its opinion that the interest on the Bonds will be excluded from gross income for federal income tax purposes.

The Verification Agent will rely upon the accuracy, completeness and reliability of all information provided to it by, and on all decisions and approvals of, the District. In addition, the Verification Agent will rely on any information provided to it by the District's retained advisors, consultants or legal counsel.

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

The Financial Advisor 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.

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

**UNDERWRITING . . .** The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the District, at a price equal to the initial offering prices to the public, as shown on page 2 of this Official Statement, 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.

Jefferies LLC ("Jefferies") and its affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Under certain circumstances, Jefferies and its affiliates may have certain creditors and/or other rights against the District and its affiliates in connection with such activities. In the course of their various business activities, Jefferies and its affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the District (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with

the District. Jefferies and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to the clients that they should acquire, long and/or short positions in such assets, securities, and instruments.

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 the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

**FORWARD-LOOKING STATEMENTS DISCLAIMER . . .** The statements contained in this Official Statement, and in any other information provided by the District, which 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.

In the Order, the Board authorized (i) the District representative in the Pricing Certificate to approve, for and on behalf of the District, the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and (ii) its further use in the public offering and sale of the Bonds by the Underwriters.

/s/ \_\_\_\_\_  
Pricing Officer  
Denver City Independent School District

**SCHEDULE I**

**TABLE OF REFUNDED BONDS\***

**Unlimited Tax School  
Building Bonds, Series 2016A  
Dated Date: 4/1/2016**

Maturity Date	Principal Amount	Interest Rate
2/15/2027	\$ 1,190,000	4.000%
2/15/2028	1,240,000	4.000%
2/15/2029	1,290,000	4.000%
2/15/2030	1,345,000	4.000%
2/15/2031	1,400,000	4.000%
2/15/2032	1,455,000	4.000%
2/15/2033	1,520,000	4.000%
2/15/2034	3,120,000	5.000%
2/15/2035	3,275,000	5.000%
2/15/2036	3,445,000	5.000%
2/15/2037	3,620,000	5.000%
2/15/2038	3,810,000	5.000%
2/15/2039	4,005,000	5.000%
2/15/2040	4,210,000	5.000%
2/15/2041	4,425,000	5.000%
	\$ 39,350,000	

Redemption Date: 6/10/2026

Redemption Price: 100%

*\*Preliminary, subject to change.*

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**APPENDIX A**

**FINANCIAL INFORMATION OF THE ISSUER**

**ASSESSED VALUATION****TABLE 1**

<b>2025 Total Appraised Value</b> <sup>(1)</sup>	\$ 1,540,648,013
Less Exemptions/Reductions at 100% Market Value:	
Residential Homestead Exemptions, Over 65 and Disabled (State Mandated)	\$ 131,281,891
Disabled Veterans	179,721
Productivity Loss	34,399,051
Other	37,580,877
Homestead Cap Adjustment	25,323,502
<b>Net Taxable Assessed Valuation</b>	<u>\$ 1,311,882,971</u>

*Note: The above figures were taken from the Yoakum County Appraisal District which is compiled during the initial phase of the tax year and are subject to change.*

*(1) See "Table 8 - Principal Taxpayers" and footnote (1) thereto.*

**GENERAL OBLIGATION BONDED DEBT****TABLE 2**

*(As of February 28, 2026)*

**General Obligation Debt Outstanding:**

Unlimited School Building Bonds, Series 2016A	\$ -	(1)(2)
Unlimited Tax Refunding Bonds, Series 2020	7,430,000	
The Bonds	<u>35,520,000</u>	(2)
Total General Obligation Debt	<u>\$ 42,950,000</u>	(2)
 General Obligation Interest and Sinking Fund Balance as of February 1, 2026	 \$ 3,171,307	 (3)
 2025 Net Taxable Assessed Valuation	 \$ 1,311,882,971	
 Ratio of Total General Obligation Debt to 2025 Net Taxable Assessed Valuation		 3.27%

Area of District:	156 Square Miles
Estimated Population:	5,690 in Year 2026
Per Capita 2025 Net Taxable Assessed Valuation:	\$ 230,559
Per Capita General Obligation Debt:	\$ 7,548 (2)

*(1) Excludes the Refunded Bonds.*

*(2) Preliminary, subject to change.*

*(3) Unaudited.*

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

**GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS**

**TABLE 3**

Period Ending 8/31	Current Total Debt Service <sup>(1)</sup>	The Bonds <sup>(2)</sup>			Combined Debt Service
		Principal	Interest	Total	
2026	\$ 3,773,425	\$ -	\$ 488,400	\$ 488,400	\$ 4,261,825
2027	1,228,875	955,000	1,752,125	2,707,125	3,936,000
2028	1,227,000	1,005,000	1,703,125	2,708,125	3,935,125
2029	1,232,625	1,055,000	1,651,625	2,706,625	3,939,250
2030	1,230,625	1,110,000	1,597,500	2,707,500	3,938,125
2031	1,231,700	1,165,000	1,540,625	2,705,625	3,937,325
2032	1,226,300	1,225,000	1,480,875	2,705,875	3,932,175
2033	1,229,100	1,295,000	1,417,875	2,712,875	3,941,975
2034	-	2,890,000	1,313,250	4,203,250	4,203,250
2035	-	3,035,000	1,165,125	4,200,125	4,200,125
2036	-	3,190,000	1,009,500	4,199,500	4,199,500
2037	-	3,355,000	845,875	4,200,875	4,200,875
2038	-	3,530,000	673,750	4,203,750	4,203,750
2039	-	3,710,000	492,750	4,202,750	4,202,750
2040	-	3,900,000	302,500	4,202,500	4,202,500
2041	-	4,100,000	102,500	4,202,500	4,202,500
	<u>\$ 11,934,650</u>	<u>\$ 35,520,000</u>	<u>\$ 17,537,400</u>	<u>\$ 53,057,400</u>	<u>\$ 65,437,050</u>

<sup>(1)</sup> Excludes the Refunded Bonds and includes Transfers from Prior Issue Debt Service Funds. Preliminary, subject to change.

<sup>(2)</sup> Interest calculated at an assumed rate for purposes of illustration. Preliminary, subject to change.

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**TAX ADEQUACY****TABLE 4**

Net Taxable Assessed Valuation		\$	1,311,882,971
Estimated Maximum Annual Debt Service Requirements for Fiscal Year Ending:	8/31/2026	\$	4,261,825 <sup>(1)</sup>
Less: Existing Debt Allotment			-
Less: Instructional Facilities Allotment			-
Less: Additional State Aid Homestead Exemption			(211,880)
Net Debt Service Requirement		\$	4,049,945 <sup>(1)</sup>
Indicated Interest and Sinking Fund Tax Rate		\$	0.3151
Indicated Interest and Sinking Fund Tax Levy at the following Collections:	98%	\$	4,051,068

<sup>(1)</sup> Excludes the Refunded Bonds and includes the Bonds and Transfers from Prior Issue Debt Service Funds. Preliminary, subject to change.

**INTEREST AND SINKING FUND MANAGEMENT INDEX****TABLE 5**

General Obligation Interest and Sinking Fund Balance as of August 31, 2025		\$	1,995,348
2025 Interest and Sinking Fund Tax Levy at 98% Collections Produce			5,597,700
Plus: Existing Debt Allotment			-
Plus: Additional State Aid for Homestead Exemption			211,880
Total Available for Debt Service		\$	7,804,928
Less: General Obligation Debt Service Requirements, Fiscal Year Ending August 31, 2026			4,261,825 <sup>(1)</sup>
Estimated Balance at Fiscal Year Ended August 31, 2026		\$	3,543,103

<sup>(1)</sup> Excludes the Refunded Bonds and includes the Bonds and Transfers from Prior Issue Debt Service Funds. Preliminary, subject to change.

**DEBT OBLIGATIONS -  
CAPITAL LEASE AND NOTES PAYABLE****TABLE 6**

See Financial Statements FYE August 31, 2025, Note I. (Page 37)

Note: The above information was taken from the Issuer's 2025 Annual Financial Report.

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**TAXABLE ASSESSED VALUATION FOR TAX YEARS 2021-2025**

**TABLE 7**

Tax Year	Net Taxable Assessed Valuation	Change From Preceding Year	
		Amount (\$)	Percent
2021	\$ 913,320,147	\$ (312,652,624)	-25.50%
2022	1,624,822,965	711,502,818	77.90%
2023	1,724,778,869	99,955,904	6.15%
2024	1,549,222,435	(175,556,434)	-10.18%
2025	1,311,882,971 <sup>(1)</sup>	(237,339,464)	-15.32%

The above figures were taken from the Yoakum County Appraisal District and the District's Annual Financial Statements.

<sup>(1)</sup> See "Table 8 - Principal Taxpayers" and footnote (1) thereto.

**PRINCIPAL TAXPAYERS**

**TABLE 8**

Name	2025 Net Taxable Assessed Valuation	% of Total 2025 Assessed Valuation
Occidental Permian Limited	\$ 473,601,576	36.10%
Golden Spread Electric Coop	85,594,540	6.52%
Southwestern Public Service	56,652,240	4.32%
Devon Energy Production Co LP	42,708,302	3.26%
Occidental Permian Limited	36,542,930	2.79%
Hillcorp Energy LP	17,647,010	1.35%
XTO Energy Incorporated	14,875,218	1.13%
Riley Permian Operating Co	14,529,200	1.11%
Stakeholder Midstream Crude Oil	12,648,738	0.96%
Riverhill Energy Corporation	9,801,258	0.75%
Total (58.28% of 2025 Net Taxable Assessed Valuation)	\$ 764,601,012	58.28% <sup>(1)</sup>

Note: The above figures were taken from the Yoakum County Appraisal District.

<sup>(1)</sup> **TAX VALUE CONCENTRATION** As shown in the table above, the total combined top ten taxpayers in the District currently account for over 58% of the District's tax base. The top taxpayer alone accounts for over 36% of the District's Net Taxable Assessed Valuation. Any adverse development related to these taxpayers (or the oil, gas and energy industries) affecting their ability to continue to conduct business at their respective locations within the District's boundaries may result in significantly less local tax revenue, thereby severely affecting the District's finances and its ability to repay its outstanding indebtedness. Accordingly, the District makes no representation regarding the continued valuation of any of the property listed in the above table or the generation of future tax revenues therefrom. If any major taxpayer (or a combination of taxpayers) were to default in the payment of taxes due to economic conditions resulting difficulty, the ability of the District to timely pay debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax lien (which, in the event of bankruptcy, certain laws may preclude until the automatic stay is lifted). Such process is time-consuming and can only occur annually; in the alternative, the District may sell tax anticipation notes until such amounts could be collected, if ever.

**CLASSIFICATION OF ASSESSED VALUATION**

**TABLE 9**

Category	2025	% of Total	2024	% of Total	2023	% of Total
Real, Residential, Single-Family	\$ 225,244,854	14.62%	\$ 191,699,452	10.92%	\$ 174,640,592	9.13%
Real, Residential, Multi-Family	1,720,614	0.11%	1,648,189	0.09%	1,648,189	0.09%
Real, Vacant Lots/Tracts	1,546,292	0.10%	1,295,449	0.07%	1,297,219	0.07%
Real, Acreage (Land Only)	46,750,962	3.03%	47,280,226	2.69%	46,932,638	2.45%
Real, Farm and Ranch Improvements	35,334,930	2.29%	30,182,550	1.72%	27,118,638	1.42%
Real, Commercial	29,910,928	1.94%	30,285,371	1.72%	27,757,095	1.45%
Real, Industrial	118,701,265	7.70%	122,311,652	6.97%	130,589,422	6.82%
Real, Oil, Gas and Mineral Reserves	871,421,726	56.56%	1,128,381,276	64.26%	1,299,888,324	67.93%
Real and Tangible Personal, Utilities	86,023,024	5.58%	85,127,662	4.85%	85,636,976	4.48%
Tangible Personal, Commercial	11,908,583	0.77%	11,522,880	0.66%	10,200,119	0.53%
Tangible Personal, Industrial	104,366,608	6.77%	98,826,410	5.63%	101,308,484	5.29%
Tangible Personal, Mobile Homes	7,109,872	0.46%	6,871,865	0.39%	6,040,681	0.32%
Special Inventory	608,355	0.04%	487,892	0.03%	543,888	0.03%
<b>Total Appraised Value</b>	<b>\$ 1,540,648,013</b>	<b>100.00%</b>	<b>\$ 1,755,920,874</b>	<b>100.00%</b>	<b>\$ 1,913,602,265</b>	<b>100.00%</b>
Less:						
Residential Homestead Exemptions, Over 65 and Disabled (State Mandated)	\$ 131,281,891		\$ 107,443,786		\$ 64,340,076	
Disabled Veterans	179,721		409,615		777,583	
Productivity Loss	34,399,051		34,751,705		34,360,924	
Other	37,580,877		48,744,945		74,518,113	
Homestead Cap Adjustment	25,323,502		15,348,388		14,826,700	
<b>Net Taxable Assessed Valuation</b>	<b>\$ 1,311,882,971</b>		<b>\$ 1,549,222,435</b>		<b>\$ 1,724,778,869</b>	

Note: The above figures were taken from the Yoakum County Appraisal District which is compiled during the initial phase of the tax year and are subject to change.

**TAX DATA**

**TABLE 10**

Taxes are due October 1 and become delinquent after January 31. Split payments are not allowed. Discounts are not allowed. Penalties and Interest: (a) a delinquent tax incurs a penalty of six percent of the amount of the tax for the first calendar month it is delinquent plus one percent 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. However, a tax delinquent on July 1 incurs a total penalty of twelve percent of the amount of the delinquent tax without regard to the number of months the tax has been delinquent; (b) a delinquent tax accrues interest at a rate of one percent for each month or portion of a month the tax remains unpaid; and an additional penalty up to a maximum of up to 20% of taxes, penalty and interest may be imposed to defray costs of collection for taxes delinquent after July 1. All percentage of collections set forth below exclude penalties and interest.

Tax Year	Net Taxable Assessed Valuation	Tax Rate	Tax Levy	% Collections		Year Ended
				Current	Total	
2021	\$ 913,320,147	\$ 1.3600	\$ 12,421,154	98.07%	98.95%	8/31/2022
2022	1,624,822,965	1.3600	22,097,592	98.90%	99.98%	8/31/2023
2023	1,724,778,869	1.2095	20,926,780	98.68%	99.30%	8/31/2024
2024	1,549,222,435	1.2095	18,737,845	98.80%	99.38%	8/31/2025
2025	1,311,882,971	1.2376	16,235,864	In Process of Collection		8/31/2026

Note: The above figures were taken from the Municipal Advisory Council of Texas, Texas Municipal Reports, the Issuer's 2025 Annual Financial Report and the Yoakum County Appraisal District.

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**OVERLAPPING DEBT DATA AND INFORMATION**

(As of January 31, 2026)

The following table indicates the indebtedness, defined as outstanding bonds payable from ad valorem taxes, of governmental entities overlapping the District and the estimated percentages and amounts of such indebtedness attributable to property within the District. Expenditures of the various taxing bodies overlapping the territory of the Issuer are paid out of ad valorem taxes levied by these taxing bodies on properties overlapping the Issuer. These political taxing bodies are independent of the Issuer and may incur borrowings to finance their expenditures.

The following statements of direct and estimated overlapping ad valorem bonds were developed from information contained in the "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the Issuer, the Issuer 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 below may have authorized or issued additional bonds since the date stated below, and such entities may have programs requiring the authorization and/or issuance of substantial amounts of additional bonds, the amount of which cannot be determined.

Taxing Body	Gross Debt	% Overlapping	Amount Overlapping
Denver City, City of	\$ 150,000	98.00%	\$ 147,000
Yoakum County	-	41.85%	-
Total Gross Overlapping Debt			\$ 147,000
Denver City Independent School District	\$ 42,950,000 <sup>(1)</sup>	100.00%	<u>42,950,000 <sup>(1)</sup></u>
Total Direct and Overlapping Debt			\$ 43,097,000 <sup>(1)</sup>
Ratio of Direct and Overlapping Debt to the 2025 Assessed Valuation			3.29% <sup>(1)</sup>
Per Capita Direct and Overlapping Debt			\$ 7,574 <sup>(1)</sup>

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas.

<sup>(1)</sup> Includes the Bonds and excludes the Refunded Bonds. Preliminary, subject to change.

**TAX RATE DISTRIBUTION**

**TABLE 11**

Tax Year	2025	2024	2023	2022	2021
General Fund	\$ 0.8022	\$ 0.8241	\$ 0.8241	\$ 0.9746	\$ 0.9634
I & S Fund	<u>0.4354</u>	<u>0.3854</u>	<u>0.3854</u>	<u>0.3854</u>	<u>0.3966</u>
Total Tax Rate	\$ 1.2376	\$ 1.2095	\$ 1.2095	\$ 1.3600	\$ 1.3600

Note: The above information was taken from the Issuer's 2025 Annual Financial Report and the Yoakum County

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**GENERAL FUND COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES  
AND ANALYSIS OF CHANGES IN FUND BALANCES**

**TABLE 12**

	<b>Fiscal Year Ended</b>				
	<b>8/31/2025</b>	<b>8/31/2025</b>	<b>8/31/2023</b>	<b>8/31/2022</b>	<b>8/31/2021</b>
<b>Revenues:</b>					
Total Local and Intermediate Sources	\$ 15,842,148	\$ 18,411,093	\$ 18,211,930	\$ 9,345,868	\$ 12,062,774
State Program Revenues	5,345,634	4,012,712	2,862,162	7,830,830	5,128,106
Federal Program Revenues	63,689	214,315	398,836	430,426	248,072
Total Revenues	<u>\$ 21,251,471</u>	<u>\$ 22,638,120</u>	<u>\$ 21,472,928</u>	<u>\$ 17,607,124</u>	<u>\$ 17,438,952</u>
<b>Expenditures:</b>					
Instruction	9,752,379	10,353,605	10,031,771	9,703,591	9,681,703
Instruction Resources & Media Services	192,137	201,896	189,835	198,886	200,311
Curriculum & Staff Development	38,642	244,446	214,677	188,781	137,229
Instructional Leadership	486,848	124,452	104,736	77,187	85,658
School Leadership	1,151,758	1,226,395	1,160,951	1,188,826	1,159,669
Guidance, Counseling & Evaluation Services	731,226	743,324	718,427	704,408	578,013
Social Work Services	5,113	-	-	-	-
Health Services	220,018	216,718	198,990	194,284	198,812
Student (Pupil) Transportation	609,616	879,086	976,252	772,272	705,372
Food Services	25,994	19,949	6,676	-	-
Extracurricular Activities	1,337,567	1,365,466	1,324,160	1,324,691	1,121,153
General Administration	1,301,333	1,298,340	1,157,619	892,849	904,254
Facilities Maintenance and Operations	3,626,877	3,874,916	4,904,663	3,619,955	2,719,906
Security and Monitoring Services	237,101	175,191	138,670	149,777	182,243
Data Processing Services	473,333	508,151	485,738	703,007	657,670
Community Services	25,617	25,650	24,270	26,509	27,440
Principal on Long-Term Debt	-	4,606	35,941	34,294	-
Interest on Long-Term Debt	-	950	1,373	3,258	-
Bond Issuance Cost and Fees	4,410	-	-	-	-
Capital Outlay	2,002,981	145,839	490,461	77,697	-
Contracted Instructional Services Between Schools	416,262	579,957	1,203,234	311	-
Incremental Costs Associated with Chapter 41	-	1,491	-	-	-
Other Intergovernmental Charges	142,224	154,707	-	-	-
Total Expenditures	<u>\$ 22,781,436</u>	<u>\$ 22,145,135</u>	<u>\$ 23,368,444</u>	<u>\$ 19,860,583</u>	<u>\$ 18,359,433</u>
Excess (Deficiency) of Revenues	\$ (1,529,965)	\$ 492,985	\$ (1,895,516)	\$ (2,253,459)	\$ (920,481)
<b>Other Financing Sources (Uses):</b>					
Proceeds of Right-to-Use and SBITA Proceeds	\$ 149,124	\$ -	\$ 7,177	\$ -	\$ -
Sale of Assets	-	-	-	70,000	-
Transfers In	-	-	-	-	684,969
Transfers Out	(148,430)	(290,745)	(163,004)	(325,793)	(301,431)
Extraordinary Item	-	-	(134,476)	(571,876)	-
Total Other Financing Sources (Uses):	<u>\$ 694</u>	<u>\$ (290,745)</u>	<u>\$ (290,303)</u>	<u>\$ (827,669)</u>	<u>\$ 383,538</u>
Net Change in Fund Balances	\$ (1,529,271)	\$ 202,240	\$ (2,185,819)	\$ (3,081,128)	\$ (536,943)
Fund Balance (Beginning)	39,476,782	39,274,543	41,460,362	44,541,490	45,078,433
Fund Balance (Ending) <sup>(1)</sup>	<u>\$ 37,947,511</u>	<u>\$ 39,476,783</u>	<u>\$ 39,274,543</u>	<u>\$ 41,460,362</u>	<u>\$ 44,541,490</u>

Note: The above information was taken from the Issuer's Annual Reports dated August 31, 2021-2025.

**AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS OF THE DISTRICT**

**TABLE 13**

Date of Authorization	Amount Authorized	Amount Previously Issued	Amount to be Issued	Amount Unissued
None				

**CHANGE IN NET POSITION**

**TABLE 14**

	Fiscal Year Ended				
	8/31/2025	8/31/2024	8/31/2023	8/31/2022	8/31/2021
<b>Revenues:</b>					
Program Revenues:					
Charges for Services	\$ 125,808	\$ 159,757	\$ 341,296	\$ 524,726	\$ 340,997
Operating Grants and Contributions	2,802,835	4,353,866	2,869,545	2,629,328	3,508,771
General Revenues:					
Maintenance and Operations Taxes	12,751,517	14,216,111	15,894,665	8,808,194	11,973,563
Debt Service Taxes	5,959,191	6,659,589	6,259,590	3,622,504	4,745,187
State Aid-Formula Grants	4,619,584	3,165,850	2,059,057	7,410,447	4,570,284
Grants	63,688	211,073	388,579	-	-
Investment Earnings	1,979,069	2,524,490	2,017,547	204,608	15,761
Miscellaneous	1,847,654	2,510,451	821,624	(347,387)	24,973
<b>Total Revenues</b>	<b>\$ 30,149,346</b>	<b>\$ 33,801,187</b>	<b>\$ 30,651,903</b>	<b>\$ 22,852,420</b>	<b>\$ 25,179,536</b>
<b>Expenditures:</b>					
Instruction, Curriculum & Media Services	\$ 11,444,815	\$ 13,615,696	\$ 11,969,481	\$ 12,616,202	\$ 13,553,748
School Leadership	1,669,375	1,533,496	1,626,947	1,376,380	1,475,051
Student Support Services	1,995,179	960,798	1,848,657	1,829,560	1,778,802
Child Nutrition	1,191,652	2,438,381	1,116,546	1,235,481	1,272,980
Extracurricular Activities	2,299,454	2,289,588	2,381,977	1,673,590	1,513,892
General Administration	1,311,292	1,416,513	1,229,617	964,806	1,057,713
Plant Maintenance, Security, & Data Processing	4,939,596	5,201,358	4,564,475	4,023,705	3,779,007
Community Services	56,691	56,724	54,604	23,624	27,493
Interest & Bond Fees	2,448,520	2,646,158	2,691,636	1,927,756	2,120,125
Services Between Districts & Alternative Education Costs	416,262	581,448	-	311	-
Other Intergovernmental Charges	142,224	154,707	1,203,234	-	-
<b>Total Expenditures</b>	<b>\$ 27,915,060</b>	<b>\$ 30,894,867</b>	<b>\$ 28,687,174</b>	<b>\$ 25,671,415</b>	<b>\$ 26,578,811</b>
Increase in Net Position	\$ 2,234,286	\$ 2,906,320	\$ 1,964,729	\$ (2,818,995)	\$ (1,399,275)
Net Position, Beginning	\$ 68,204,362 <sup>(1)</sup>	\$ 65,298,042	\$ 63,467,789 <sup>(1)</sup>	\$ 66,261,314	\$ 67,448,900
Special Items - Prior Period Adjustment	-	-	(134,476)	25,470	211,689
<b>Net Position, Ending</b>	<b>\$ 70,438,648</b>	<b>\$ 68,204,362</b>	<b>\$ 65,298,042</b>	<b>\$ 63,467,789</b>	<b>\$ 66,261,314</b>

Note: The above information was taken from the Issuer's Annual Reports dated August 31, 2021-2025.

<sup>(1)</sup> Restated.

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**APPENDIX B**

**GENERAL INFORMATION REGARDING THE DISTRICT**

**GENERAL INFORMATION REGARDING THE DISTRICT AND  
YOAKUM COUNTY, TEXAS**

**The District:**

Denver City Independent School District (the “District”) is located in Yoakum County (the “County”), which is one of the leading oil producing counties in Texas. The County is also a major agricultural area, with cotton, grain crops, and beef cattle as major agricultural products. The District’s educational facilities are located in Denver City which is located approximately 75 miles southwest of Lubbock.

The County is in western Texas on the southern High Plains, along the New Mexico border. U.S. Highways 380 and 82 (east-west) and State Highway 214 (north-south) serve the County. The economy is based on oil, gas and agriculture.

**The Schools:**

**Historical Enrollment for the District**

School Year	Enrollment
2021-22	1,601
2022-23	1,557
2023-24	1,505
2024-25	1,474
2025-26	1,399

**Enrollment and School Facilities**

Type of School	Grades	2025-2026 Enrollment
Dodson Primary School	Prek-2	326
Kelley Elementary School	3-5	280
Gravitt Junior High School	6-8	301
Denver City High School	9-12	492

**Educational status of the teachers is as follows:**

Educational Status of the Teachers	Count
Masters’ degree	20
Bachelor’s degree	77
Average years of classroom experience per teacher	15.8

**Personnel distribution is as follows:**

Personnel Distribution	Count
District Level Administrators	8.5
Building Level Administrators	6
Instructional Staff	103
Professional Support Staff (Counselors, Librarians, Nurses, Social Workers, etc.)	18
General Personnel (Secretaries, Aides, Clerks, Bus Drivers, Food Service, Maintenance, etc.)	<u>109</u>
TOTAL	244.5

Teacher salaries are competitive with surrounding districts. Teacher salaries range from \$43,660 for beginning teachers to a maximum of \$80,660.

**Yoakum County Labor Force Estimates (Annual Average Data)**

Yoakum County	Annual Averages				
	2025	2024	2023	2022	2021
Civilian Labor Force	3,322	3,186	3,036	2,913	2,929
Total Employment	3,218	3,074	2,933	2,791	2,691
Unemployment	104	112	103	122	238
Percent Unemployment	3.1%	3.5%	3.4%	4.2%	8.1%
<b>State of Texas</b>					
Civilian Labor Force	15,931,415	15,608,932	15,217,552	14,741,150	14,319,776
Total Employment	15,307,152	14,971,373	14,608,665	14,159,995	13,512,599
Unemployment	624,263	637,559	608,887	581,155	807,177
Percent Unemployment	3.9%	4.1%	4.0%	3.9%	5.6%

Source: Texas Labor Market Information, as of December 2025.

**Mineral Production**

Yoakum County Onshore Oil/Gas Production		
Annual Totals 2020 - 2025		
Date	Oil (BBL)	Casinghead (MCF) <sup>(1)</sup>
2021	23,384,398	36,890,605
2022	24,061,815	46,818,356
2023	24,935,887	48,369,475
2024	24,341,281	51,715,367
2025	22,414,107	54,065,338

Source: Municipal Advisory Council of Texas

<sup>(1)</sup> MCF = thousand cubic feet.

**APPENDIX C**

**FORM OF BOND COUNSEL'S OPINION**

May \_\_\_, 2026

**DENVER CITY INDEPENDENT SCHOOL DISTRICT  
UNLIMITED TAX REFUNDING BONDS, SERIES 2026  
DATED AS OF MAY 6, 2026  
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$ \_\_\_\_\_**

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

**WE HAVE EXAMINED** the applicable and pertinent provisions of the Constitution and general laws of the State of Texas and a transcript of certified proceedings of the District, and other pertinent instruments authorizing and relating to the issuance of the Bonds including (i) the order authorizing the issuance of the Bonds (the *Order*), (ii) the Escrow and Trust Agreement, dated as of April 8, 2026, between the District and BOKF, NA, Dallas, Texas, as Escrow Agent (the *Escrow Agreement*), (iii) the verification report of Public Finance Partners LLC, with respect to the adequacy of certain escrowed funds and securities to accomplish the refunding purposes of the Bonds (the *Verification Report*), (iv) the executed Initial Bond numbered T-1, and (v) the District's Federal Tax Certificate of even date herewith.

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

**IT IS FURTHER OUR OPINION** that the Escrow Agreement has been duly authorized, executed and delivered by the District and constitutes a binding and enforceable agreement in accordance with its terms and that the "Refunded Bonds" (as defined in the Order) being refunded by the Bonds are outstanding under the order authorizing their issuance only for the purpose of receiving the funds provided by, and are secured solely by and payable solely from, the Escrow Agreement and the cash and investments, including the income therefrom, held by the Escrow Agent pursuant to the Escrow Agreement. In rendering this opinion, we have relied upon the Verification Report concerning the sufficiency of the cash and investments deposited pursuant to the Escrow Agreement for the purpose of paying the principal of, redemption premium, if any, and interest on the Refunded Bonds.



**IT IS FURTHER OUR OPINION**, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not “specified private activity bonds” and that, accordingly, interest on the Bonds will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the *Code*). In expressing the aforementioned opinions, we have relied on the Verification Report, and we have further relied on, and assumed compliance by the District with, certain representations contained in the Federal Tax Certificate of the District and covenants set forth in the order adopted by the District to authorize the issuance of the Bonds, relating to, among other matters, the use of the project and the investment and expenditure of the proceeds and certain other amounts used to pay or to secure the payment of debt service on the Bonds, and the certificate with respect to arbitrage by the Commissioner of Education regarding the allocation and investment of certain investments in the Permanent School Fund, the accuracy of which we have not independently verified. We call your attention to the fact that failure by the District to comply with such representations and covenants may cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

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

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

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



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

Respectfully,

**APPENDIX D**

**THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM**

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

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

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

The regular session of the 89th Texas Legislature (the “Legislature”) convened on January 14, 2025, and concluded on June 2, 2025. 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 (the regular session together with the special sessions may hereinafter be referred to as the “89<sup>th</sup> Legislative Session”). The TEA, the State Board of Education (the “SBOE”), and the Texas Permanent School Fund Corporation (the “PSF Corporation”) are in the process of monitoring the implementation of legislation signed by the Governor and make no representation regarding any actions taken by the Legislature in the 89<sup>th</sup> Legislative Session that may materially impact themselves, the Guarantee Program, the Act, and Texas school finance in general.

### **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, 2025, 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, 2025, 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, 2025, and for a description of the financial results of the PSF for the year ended August 31, 2025, the most recent year for which audited financial information regarding the Fund is available. The 2025 Annual Report speaks only as of its date and the PSF Corporation has not obligated itself to update the 2025 Annual Report or any other Annual Report. The PSF Corporation posts (i) each Annual Report, which includes statistical data regarding the Fund as of the close of each fiscal year, (ii) the most recent disclosure for the Guarantee Program, (iii) the PSF Corporation's Investment Policy Statement (the "IPS"), and (iv) monthly updates with respect to the capacity of the Guarantee Program (collectively, the "Web Site Materials") on the PSF Corporation's web site at <https://texaspsf.org> and with the MSRB at [www.emma.msrb.org](http://www.emma.msrb.org). Such monthly updates regarding the Guarantee Program are also incorporated herein and made a part hereof for all purposes. In addition to the Web Site Materials, the Fund is required to make quarterly filings with the SEC under Section 13(f) of the Securities Exchange Act of 1934. Such filings, which consist of a list of the Fund's holdings of securities as required by Section 13(f), 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, generally, 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's roles and responsibilities in managing and administering the Fund, see the IPS and Board meeting materials (available on the PSF Corporation's website).

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

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

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

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

Corporation, but such authorization does not affect the State Auditor’s authority to conduct an audit of the PSF Corporation in accordance with State laws.

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

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

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

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

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

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

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

<u>Fiscal Year Ending</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023<sup>2</sup></u>	<u>2024</u>	<u>2025</u>
PSF(CORP) Distribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$2,076	\$2,156	\$2,156
PSF(SBOE) Distribution	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	215	212	247	306	347	341	432	440	430	428

<sup>1</sup> In millions of dollars. Source: Annual Report for year ended August 31, 2025.

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

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

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

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

<u>State Fiscal Biennium</u>	<u>2010-11</u>	<u>2012-13</u>	<u>2014-15</u>	<u>2016-17</u>	<u>2018-19</u>	<u>2020-21</u>	<u>2022-23</u>	<u>2024-25</u>	<u>2026-27</u>
<u>SBOE Distribution Rate</u> <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 to the ASF authorized 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 and allows for the use of derivatives and other leverage. The IPS provides that the Fund’s investment objectives are as follows:

- Generate continuous distributions for the benefit of public schools in Texas;
- Maintain purchasing power, after spending, inflation, and student population growth, in order to maintain intergenerational equity with respect to distributions;
- Provide a maximum level of return consistent with prudent risk levels, while maintaining sufficient liquidity needed to support distributions and BGP obligations; and
- Strive to 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, effective January 1, 2026 (which is subject to change from time to time):

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Range<sup>1</sup></b>
Cash Equivalent	3.0%	n/a
Core Bonds	9.0%	+/- 5.0%
Non-Core Bonds (High Yield)	3.0%	+/- 5.0%
Non-Core Bonds (Bank Loans)	3.0%	+/- 5.0%
Large Cap U.S. Equity	15.0%	+/- 5.0%
Small/Mid-Cap U.S. Equity	3.0%	+/- 5.0%
Non-U.S. Developed Equity	8.0%	+/- 5.0%
Absolute Return	6.0%	+/- 5.0%
Private Debt (Liquid Substitute)	9.5%	+/- 5.0%
Private Equity (Liquid Substitute)	20.0%	+/- 10.0%
Real Estate	10.5%	+/- 5.0%
Natural Resources	4.0%	+/- 5.0%
Infrastructure	6.0%	+/- 5.0%

<sup>1</sup> Range reflect threshold approved by the Board. Subtracted results will not go below zero.

The table below sets forth the comparative investments of the PSF for the fiscal years ending August 31, 2024 and 2025, as set forth in the Annual Report for the 2025 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, 2025 and 2024				
<u>ASSET CLASS</u>	<u>August 31, 2025</u>	<u>August 31, 2024</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent Change</u>
<b>EQUITY</b>				
Domestic Small Cap	\$3,732.4	\$ 3,651.3	\$81.1	2.2%
Domestic Large Cap	<u>7,860.0</u>	<u>8,084.6</u>	<u>(224.6)</u>	<u>-2.7%</u>
Total Domestic Equity	11,592.4	11,735.9	(143.5)	-1.2%
International Equity	<u>5,093.7</u>	<u>4,131.1</u>	<u>962.6</u>	<u>23.3%</u>
<b>TOTAL EQUITY</b>	<b>16,686.1</b>	<b>15,867.0</b>	<b>819.1</b>	<b>5.2%</b>
<b>FIXED INCOME</b>				
Domestic Fixed Income	-	-	-	-
US Treasuries	-	-	-	-
Core Bonds	5,464.4	8,151.6	(2,687.2)	-33.0%
Bank Loans	3,908.4	2,564.1	1,344.3	52.4%
High Yield Bonds	1,569.2	2,699.5	(1,130.3)	-41.9%
Emerging Market Debt	-	-	-	-
<b>TOTAL FIXED INCOME</b>	<b>10,942.0</b>	<b>13,415.2</b>	<b>(2,473.2)</b>	<b>-18.4%</b>
<b>ALTERNATIVE INVESTMENTS</b>				
Absolute Return	3,247.4	3,106.0	141.4	4.6%
Real Estate	6,300.8	6,101.0	199.8	3.3%
Private Equity	12,170.5	8,958.8	3,211.7	35.9%
Emerging Manager Program	-	-	-	-
Real Return	-	-	-	-
Private Credit	3,884.3	2,257.9	1,626.4	72.0%
Real Assets	<u>5,525.2</u>	<u>4,648.1</u>	<u>877.1</u>	<u>18.9%</u>
<b>TOT ALT INVESTMENTS</b>	<b>31,128.2</b>	<b>25,071.8</b>	<b>6,056.4</b>	<b>24.2%</b>
UNALLOCATED CASH	<u>1,335.0</u>	<u>2,583.2</u>	<u>(1,248.2)</u>	<u>-48.3%</u>
<b>TOTAL PSF(CORP) INVESTMENTS</b>	<b>\$ 60,091.3</b>	<b>\$ 56,937.2</b>	<b>\$ 3,154.1</b>	<b>5.5%</b>

Source: Annual Report for year ended August 31, 2025.

The table below sets forth the investments of the PSF(SLB) for the year ended August 31, 2025.

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

	<u>As of</u> <u>8-31-25</u>
<u>Fair Value (in millions) August 31, 2025</u>	
Investment Type	
Investments in Real Assets	
Sovereign Lands	\$ 279.84
Discretionary Internal Investments	989.22
Other Lands	153.17
Minerals <sup>(2), (3)</sup>	<u>4,872.77</u> <sup>(6)</sup>
Total Investments <sup>(4)</sup>	\$6,294.99
Cash in State Treasury <sup>(5)</sup>	575.70
Total Investments & Cash in State Treasury	\$ 6,870.70

<sup>1</sup> Unaudited figures from Table 5 in the FY 2025 Unaudited Annual Financial Report of the Texas General Land Office and Veterans Land Board.

<sup>2</sup> Historical Cost of investments at August 31, 2025 was: Sovereign Lands \$838,676.44; Discretionary Internal Investments \$830,739,719.64; Other Lands \$37,306,005.32; and Minerals \$13,437,552.03.

<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 investment or operational limitations impacted by Texas law or legislative appropriation. The Guarantee Program could also be impacted by changes in State or federal law or regulations or the implementation of new accounting standards.

## **The School District Bond Guarantee Program**

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

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

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

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

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

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

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

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

Pursuant to the CDBGP Rules, the Education Commissioner annually determines the ratio of charter district students to total public school students, for the 2026 fiscal year, the ratio is 8.17%. At February 23, 2026, there were 182 active open-enrollment charter schools in the State and there were 1,027 charter school campuses authorized under such charters, though as of such date, 41 of such campuses are not currently serving students for various reasons; therefore, there are 986 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 CDBGP 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 CDBGP Rules provide that an open-enrollment charter holder applying for charter district designation and a guarantee of its bonds under the Charter District Bond Guarantee Program satisfy various provisions of the regulations, including the following: It must (i) have operated at least one open-enrollment charter school with enrolled students in the State for at least three years; (ii) agree that the bonded indebtedness for which the guarantee is sought will be undertaken as an obligation of all entities under common control of the open-enrollment charter holder, and that all such entities will be liable for the obligation if the open-enrollment charter holder defaults on the bonded indebtedness, provided, however, that an entity that does not operate a charter school in Texas is subject to this provision only to the extent it has received state funds from the open-enrollment charter holder; (iii) have had completed for the past three years an audit for each such year that included unqualified or unmodified audit opinions; and (iv) have received an investment grade credit rating within the last year. Upon receipt of an application for guarantee under the Charter District Bond Guarantee Program, the Education Commissioner is required to conduct an investigation into the financial status of the applicant charter district and of the accreditation status of all open-enrollment charter schools operated under the charter, within the scope set forth in the CDBGP Rules. Such financial investigation must establish that an applying charter district has a historical debt service coverage ratio, based on annual debt service, of at least 1.1 for the most recently completed fiscal year, and a projected debt service coverage ratio, based on projected revenues and expenses and maximum annual debt service, of at least 1.2. The failure of an open-enrollment charter holder to comply with the Act or the applicable regulations, including by making any material misrepresentations in the charter holder's application for charter district designation or guarantee under the Charter District Bond Guarantee Program, constitutes a material violation of the open-enrollment charter holder's charter.

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

changes in level of school district or charter district participation in the Guarantee Program, or a combination of such circumstances.

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

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

Prior to 2007, various legislation was enacted modifying the calculation of the State Capacity limit; however, in 2007, Senate Bill 389 (“SB 389”) was enacted, providing for increases in the capacity of the Guarantee Program, and specifically providing that the SBOE may by rule increase the capacity of the Guarantee Program from two and one-half times the cost value of the PSF to an amount not to exceed five times the cost value of the PSF, provided that the increased limit does not violate federal law and regulations and does not prevent bonds guaranteed by the Guarantee Program from receiving the highest available credit rating, as determined by the SBOE. SB 389 further provided that the SBOE shall at least annually consider whether to change the capacity of the Guarantee Program. Additionally, on May 21, 2010, the SBOE modified the SDBGP Rules, and increased the State Capacity Limit to an amount equal to three times the cost value of the PSF. Such modified regulations, including the revised capacity rule, became effective on July 1, 2010. The SDBGP Rules provide that the Education Commissioner will estimate the available capacity of the PSF each month and may increase or reduce the State Capacity Limit multiplier to prudently manage fund capacity and maintain the AAA credit rating of the Guarantee Program but also provide that any changes to the multiplier made by the Education Commissioner are to be ratified or rejected by the SBOE at the next meeting following the change. See “Valuation of the PSF and Guaranteed Bonds” below.

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

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

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

The IRS Notice changed the IRS Limit from a static limit to a dynamic limit for the Guarantee Program based upon the cost value of Fund assets, multiplied by five. As of December 31, 2025 the cost value of the Guarantee Program was \$51,913,224,643 (unaudited), thereby producing an IRS Limit of \$259,566,123,215 in principal amount of guaranteed bonds outstanding.

As of December 31, 2025, the estimated State Capacity Limit is \$181,696,286,251, which is lower than the IRS Limit, making the State Capacity Limit the current Capacity Limit for the Fund.

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

Based upon historical performance of the Fund, the legal restrictions relating to the amount of bonds that may be guaranteed has generally resulted in a lower ratio of guaranteed bonds to available assets as compared to many other types of credit enhancements that may be available for Texas school district bonds and charter district bonds. However, the ratio of Fund assets to guaranteed bonds and the growth of the Fund in general could be adversely affected by a number of factors, including Fund investment performance, investment objectives of the Fund, an increase in bond issues by school districts in the State or legal restrictions on the Fund, changes in State laws that implement funding decisions for school districts and charter districts, which could adversely affect the credit quality of those districts, the implementation of the Charter District Bond Guarantee Program, or significant changes in distributions to the ASF. The issuance of the

IRS Notice and the Final IRS Regulations resulted in a substantial increase in the amount of bonds guaranteed under the Guarantee Program.

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

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

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

The percentage of the charter district scholastic population to the overall public school scholastic population has grown from 3.53% in September 2012 to 7.86% in December 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 December 31, 2025, the Charter District Reserve Fund contained \$153,914,605, which represented approximately 2.61% 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 Ratings, S&P Global Ratings, and Fitch Ratings, Inc. rate bonds guaranteed by the PSF “Aaa,” “AAA” and “AAA,” respectively. Not all districts apply for multiple ratings on their bonds, however. See the applicable rating section within the offering document to which this is attached for information regarding a district’s underlying rating and the enhanced rating applied to a given series of bonds.

**Valuation of the PSF and Guaranteed Bonds**

<b>Permanent School Fund Valuations</b>		
<b>Fiscal Year Ended 8/31</b>	<b>Book Value<sup>(1)</sup></b>	<b>Market Value<sup>(1)</sup></b>
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	47,047,688,784	62,766,382,537
2025 <sup>(2)</sup>	50,832,583,937	66,549,781,438

<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, 2025, mineral assets, sovereign lands, other lands, and discretionary internal investments, had book values of approximately \$13.4 million, \$0.8 million, \$37.3 million, and \$830.7 million, respectively, and market values of approximately \$4,872.7 million, \$279.8 million, \$153.1 million, and \$989.2 million, respectively.

**Permanent School Fund Guaranteed Bonds**

<u>At 8/31</u>	<u>Principal Amount<sup>(1)</sup></u>
2021	95,259,161,922
2022	103,239,495,929
2023	115,730,826,682
2024	125,815,981,603
2025	143,940,955,098 <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, 2025 (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 \$230,761,751,555, of which \$86,820,796,457 represents interest to be paid. As shown in the table above, at August 31, 2025, there were \$143,940,955,098 in principal amount of bonds guaranteed under the Guarantee Program. Using the State Capacity Limit of \$181,696,286,251 (the State Capacity Limit is currently the Capacity Limit), net of the Capacity Reserve, as of December 31, 2025, 7.86% of the Guarantee Program’s capacity was available to the Charter District Bond Guarantee Program. As of December 31, 2025, the amount of outstanding bond guarantees represented 79.16% of the Capacity Limit (which is currently the State Capacity Limit). December 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>School District Bonds</u>		<u>Charter District Bonds</u>		<u>Totals</u>	
	<u>No. of Issues</u>	<u>Principal Amount (\$)</u>	<u>No. of Issues</u>	<u>Principal Amount (\$)</u>	<u>No. of Issues</u>	<u>Principal Amount (\$)</u>
<u>8/31</u>						
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	3,330	121,046,871,603	103	4,769,110,000	3,433	125,815,981,603
2025 <sup>(2)</sup>	3,444	138,140,381,098	113	5,800,574,000	3,557	143,940,955,098

<sup>(1)</sup> Represents original principal amount; does not reflect any subsequent accretions in value for compound interest bonds (zero coupon securities). The amount shown excludes bonds that have been refunded and released from the Guarantee Program.

<sup>(2)</sup> At December 31, 2025 (based on unaudited data, which is subject to adjustment), there were \$143,822,038,077 in principal amount of bonds guaranteed under the Guarantee Program, representing 3,456 school district issues, aggregating \$137,938,824,077 in principal amount and 114 charter district issues, aggregating \$5,883,214,000 in principal amount. At December 31, 2025 the projected guarantee capacity available was \$32,174,623,697 (based on unaudited data, which is subject to adjustment).

## **Discussion and Analysis Pertaining to Fiscal Year Ended August 31, 2025**

The following discussion is derived from the Annual Report for the year ended August 31, 2025, 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 2025, the PSF(CORP) net position was \$60.6 billion. During the year, the PSF(CORP) continued updating and implementing the long-term strategic asset allocation, diversifying the investment mix to strengthen the Fund. The asset allocation aims to pursue the objectives of the Fund at an acceptable risk level. 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, 2025, net of fees, were 8.20%, 7.95%, and 7.40%, 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, 2025.

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<sup>1</sup>, 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 2025 Annual Report which is included by reference herein.

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<sup>1</sup> The Private Credit asset class was renamed Private Debt, beginning in October 2024.

**PSF Returns Fiscal Year Ended 8-31-2025<sup>1</sup>**

<u>Portfolio</u>	<u>Return</u>	<u>Benchmark Return<sup>2</sup></u>
Total PSF(CORP) Portfolio	8.20	7.78
Domestic Large Cap Equities	14.50	15.88
Domestic Small/Mid Cap Equities	7.64	5.80
International Equities	16.16	14.89
Private Credit	6.87	9.26
Core Bonds	4.02	3.14
Absolute Return	14.98	6.90
Real Estate	0.14	0.97
Private Equity	8.17	8.61
High Yield	8.18	8.26
Natural Resources	2.31	0.39
Infrastructure	15.06	8.79
Bank Loans	7.76	7.36
Short Term Investment Portfolio	6.06	4.51

<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, 2025.

<sup>2</sup> Benchmarks are as set forth in the Annual Report for year ended August 31, 2025.

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 2025 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 2025, \$2.2 billion was distributed to the ASF, \$600 million of which was distributed by the PSF(CORP) on behalf of the SLB.

**Other Events and Disclosures**

State ethics laws govern the ethics and disclosure requirements for financial advisors and other service providers who advise certain State governmental entities, including the PSF. The SBOE code of ethics provides ethical standards for SBOE members, the Education Commissioner, TEA staff, and persons who provide services to the SBOE relating to the Fund. The PSF Corporation developed its own ethics policy that provides basic ethical principles, guidelines, and standards of conduct relating to the management and investment of the Fund in accordance with the requirements of §43.058 of the Texas Education Code, as amended. The SBOE code of ethics is codified in the Texas Administrative Code at 19 TAC sections 33.4 et seq. and is available on the TEA web site at <https://tea.texas.gov/sites/default/files/ch033a.pdf>. The PSF Corporation's ethics policy is posted to the PSF Corporation's website at [texaspsf.org](http://texaspsf.org).

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

As of August 31, 2025, 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 <https://tea.texas.gov/sites/default/files/ch033a.pdf>.

Through the codification of the TEA Undertaking and its commitment to guarantee bonds, the TEA has made the following agreement for the benefit of the issuers, holders, and beneficial owners of guaranteed bonds. The TEA (or its successor with respect to the management of the Guarantee Program) is required to observe the agreement for so long as it remains an "obligated person," within the meaning of Rule 15c2-12, with respect to guaranteed bonds. Nothing in the TEA Undertaking obligates the TEA to make any filings or disclosures with respect to guaranteed bonds, as the obligations of the TEA under the TEA Undertaking pertain solely to the Guarantee Program. The issuer or an "obligated person" of the guaranteed bonds has assumed the applicable obligation under Rule 15c2-12 to make all disclosures and filings relating directly to guaranteed bonds, and the TEA takes no responsibility with respect to such undertakings. Under the TEA Undertaking, the TEA is obligated to provide annually certain updated financial information and operating data, and timely notice of specified material events, to the MSRB.

The MSRB has established the Electronic Municipal Market Access ("EMMA") system, and the TEA is required to file its continuing disclosure information using the EMMA system. Investors may access continuing disclosure information filed with the MSRB at [www.emma.msrb.org](http://www.emma.msrb.org), and the continuing disclosure filings of the TEA with respect to the PSF can be found at <https://emma.msrb.org/IssueView/Details/ER355077> or by searching for "Texas Permanent School Fund Bond Guarantee Program" on EMMA.

### **Annual Reports**

The PSF Corporation, on behalf of the TEA, and the TEA will annually provide certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the Guarantee Program and the PSF of the general type included in this offering document under the heading "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM." The information also includes the

Annual Report. The PSF Corporation will update and provide this information within six months after the end of each fiscal year.

The TEA and the PSF Corporation may provide updated information in full text or may incorporate by reference certain other publicly-available documents, as permitted by Rule 15c2-12. The updated information includes audited financial statements of, or relating to, the State or the PSF, when and if such audits are commissioned and available. In the event audits are not available by the filing deadline, unaudited financial statements will be provided by such deadline, and audited financial statements will be provided when available. Financial statements of the State will be prepared in accordance with generally accepted accounting principles as applied to state governments, as such principles may be changed from time to time, or such other accounting principles as the State Auditor is required to employ from time to time pursuant to State law or regulation. The financial statements of the Fund are required to be prepared to conform to U.S. Generally Accepted Accounting Principles as established by the Governmental Accounting Standards Board.

The Fund is composed of two primary segments: the financial assets (PSF(CORP)) managed by PSF Corporation, and the non-financial assets (PSF(SLB)) managed by the SLB. Each of these segments is reported separately und different bases of accounting.

The PSF Corporation reports as a special-purpose government engaged in business-type activities and reports to the State of Texas as a discretely presented component unit accounted for on an economic resources measurement focus and the accrual basis of accounting. Measurement focus refers to the definition of the resource flows measured. Under the accrual basis of accounting, all revenues reported are recognized in the period they are earned or when the PSF Corporation has a right to receive them. Expenses are recognized in the period they are incurred, and the subsequent amortization of any deferred outflows. Additionally, costs related to capital assets are capitalized and subsequently depreciated over the useful life of the assets. Both current and long-term assets and liabilities are presented in the statement of net position.

The SLB manages the Fund's non-financial assets (PSF(SLB)), is classified as a governmental permanent fund and accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, amounts are recognized as revenues in the period in which they are available to finance expenditures of the current period and are measurable. Amounts are considered measurable if they can be estimated or otherwise determined. Expenditures are recognized in the period in which the related liability is incurred, if measurable.

The State's current fiscal year end is August 31. Accordingly, the TEA and the PSF Corporation must provide updated information by the last day of February in each year, unless the State changes its fiscal year. If the State changes its fiscal year, the TEA and PSF Corporation will notify the MSRB of the change.

## Event Notices

The TEA and the PSF Corporation will also provide timely notices of certain events to the MSRB. Such notices will be provided not more than ten business days after the occurrence of the event. The TEA or the PSF Corporation will provide notice of any of the following events with respect to the Guarantee Program: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if such event is material within the meaning of the federal securities laws; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Guarantee Program, or other material events affecting the tax status of the Guarantee Program; (7) modifications to rights of holders of bonds guaranteed by the Guarantee Program, if such event is material within the meaning of the federal securities laws; (8) bond calls, if such event is material within the meaning of the federal securities laws, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of bonds guaranteed by the Guarantee Program, if such event is material within the meaning of the federal securities laws; (11) rating changes of the Guarantee Program; (12) bankruptcy, insolvency, receivership, or similar event of the Guarantee Program (which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Guarantee Program in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Guarantee Program, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Guarantee Program); (13) the consummation of a merger, consolidation, or acquisition involving the Guarantee Program or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if such event is material within the meaning of the federal securities laws; (14) the appointment of a successor or additional trustee with respect to the Guarantee Program or the change of name of a trustee, if such event is material within the meaning of the federal securities laws; (15) the incurrence of a financial obligation of the Guarantee Program, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Guarantee Program, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Guarantee Program, any of which reflect financial difficulties. (Neither the Act nor any other law, regulation or instrument pertaining to the Guarantee Program make any provision with respect to the Guarantee Program for bond calls, debt service reserves, credit enhancement, liquidity enhancement, early redemption, or the appointment of a trustee with respect to the Guarantee Program.) In addition, the TEA or the PSF Corporation will provide timely notice of any failure

by the TEA or the PSF Corporation to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports.”

### **Availability of Information**

The TEA and the PSF Corporation have agreed to provide the foregoing information only to the MSRB and to transmit such information electronically to the MSRB in such format and accompanied by such identifying information as prescribed by the MSRB. The information is available from the MSRB to the public without charge at [www.emma.msrb.org](http://www.emma.msrb.org).

### **Limitations and Amendments**

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

The continuing disclosure agreement is made only with respect to the PSF and the Guarantee Program. The issuer of guaranteed bonds or an obligated person with respect to guaranteed bonds may make a continuing disclosure undertaking in accordance with Rule 15c2-12 with respect to its obligations arising under Rule 15c2-12 pertaining to financial information and operating data concerning such entity and events notices relating to such guaranteed bonds. A description of such undertaking, if any, is included elsewhere in this offering document.

This continuing disclosure agreement may be amended by the TEA or the PSF Corporation from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the TEA or the PSF Corporation, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell guaranteed bonds in the primary offering of such bonds in compliance with Rule 15c2-12, taking into account any amendments or interpretations of Rule 15c2-12 since such offering as well as such changed circumstances and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding bonds guaranteed by the Guarantee Program consent to such amendment or (b) a person that is unaffiliated with the TEA or the PSF Corporation (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the holders and beneficial owners of the bonds guaranteed by the Guarantee Program. The TEA or the PSF Corporation may also amend or repeal the provisions of its continuing disclosure agreement if the SEC amends or repeals the applicable provision of Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of Rule 15c2-12

are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling bonds guaranteed by the Guarantee Program in the primary offering of such bonds.

### **Compliance with Prior Undertakings**

Except as stated below, during the last five years, the TEA and the PSF Corporation have not failed to substantially comply with their previous continuing disclosure agreements in accordance with Rule 15c2-12. On April 28, 2022, TEA became aware that it had not timely filed its 2021 Annual Report with EMMA due to an administrative oversight. TEA took corrective action and filed the 2021 Annual Report with EMMA on April 28, 2022, followed by a notice of late filing made with EMMA on April 29, 2022. TEA notes that the 2021 Annual Report was timely filed on the TEA website by the required filing date and that website posting has been incorporated by reference into TEA's Bond Guarantee Program disclosures that are included in school district and charter district offering documents. On March 31, 2025, the TEA and the PSF Corporation became aware that the 2022 operating data was not timely filed with EMMA due to an administrative oversight. TEA and PSF Corporation took corrective action and filed a notice of late filing with EMMA on April 4, 2025. The annual operating data was previously posted to EMMA on March 31, 2023.

### **SEC Exemptive Relief**

On February 9, 1996, the TEA received a letter from the Chief Counsel of the SEC that pertains to the availability of the "small issuer exemption" set forth in paragraph (d)(2) of Rule 15c2-12. The letter provides that Texas school districts which offer municipal securities that are guaranteed under the Guarantee Program may undertake to comply with the provisions of paragraph (d)(2) of Rule 15c2-12 if their offerings otherwise qualify for such exemption, notwithstanding the guarantee of the school district securities under the Guarantee Program. Among other requirements established by Rule 15c2-12, a school district offering may qualify for the small issuer exemption if, upon issuance of the proposed series of securities, the school district will have no more than \$10 million of outstanding municipal securities.

## **APPENDIX E**

### **EXCERPTS FROM THE DENVER CITY INDEPENDENT SCHOOL DISTRICT ANNUAL FINANCIAL REPORT For the Year Ended August 31, 2025**

The information contained in this APPENDIX consists of excerpts from the Denver City Independent School District Annual Financial Report for the Year Ended August 31, 2025, and is not intended to be a complete statement of the District's financial condition. Reference is made to the complete Report for further information.

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INDEPENDENT AUDITORS' REPORT

Board of School Trustees  
Denver City Independent School District  
501 Mustang Ave  
Denver City, Texas 79323

**Opinions**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Denver City Independent School District, Denver City, Texas, as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise the Denver City Independent School District's basic financial statements as listed in the table of contents.

In our opinion, based on our audit, 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 Denver City Independent School District, as of August 31, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinions**

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

## **Auditors' Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards, 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 Hale Center 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 Denver City Independent School District's ability to continue as a going concern for a reasonable period of time.

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

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 11, the budgetary comparison information for the General Fund and the Teacher Retirement System schedules for pension and other post-employment benefits on pages 55 through 59, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Combining Nonmajor Fund Financial statements, the required Texas Education Agency (TEA) schedules and the Schedule of Expenditures of Federal Awards (SEFA) as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance)*, listed in the table of contents are presented for purpose of additional analysis and are not a required part of the basic financial statements.

The Combining Nonmajor Fund Financial Statements, the required TEA Schedules, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Nonmajor Fund Financial statements and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2025, on our consideration of Denver City 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing but not to provide an opinion on the 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 Denver City Independent School District's internal control over financial reporting and compliance.



**Bennett Bennett & Trice, PLLC**  
Lamesa TX

**January 22, 2026**



# DENVER CITY

## Independent School District

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### MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Denver City Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2025. Please read it in conjunction with the independent auditors' report, the District's Basic Financial Statements which begin with Exhibit A-1 and the notes to the financial statements.

### USING THIS ANNUAL REPORT

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

The government-wide financial statements include the Statement of Net Position and the Statement of Activities on Exhibits A-1 and B-1. These provide information about the activities of the District as a whole and present a long-term view of the District's property, debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting with Exhibit C-1) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget. The remaining fiduciary statements provide financial information about activities for which the District acts solely as an agent for holding funds of student organizations and scholarships.

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

Required supplementary information (Exhibits G-1, G-2, G-3, G-4 and G-5) provide the budget analysis for the General Fund and schedules providing detailed information on the District's net pension liability and other post-employment benefits with the Teacher Retirement System of Texas.

The combining statements for non-major funds contain even more information about the District's individual funds. Texas Education Agency (TEA) does not require these statements. The sections labeled *Required TEA Schedules and Federal Awards Section* contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

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

### ***Government-Wide Financial Statements (Statement of Net Position and Statement of Activities)***

The analysis of the District's overall financial condition and operations begins with the Statement of Net Position, Exhibit A-1 and the Statement of Activities, Exhibit B-1. Their primary purpose is to show whether the District is in better or worse condition as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

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

These two statements report the District's net position and changes in them. The District's net position provides one measure of the District's financial health or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. However, to fully assess the overall health of the District, you should consider non-financial factors as well, such as changes in the District's average daily attendance, academic performance, property tax base and the condition of the District's facilities.

In the Statement of Net Position and Statement of Activities, we report governmental activities. Most of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community service and general administration. Property taxes and state funding finance most of these activities.

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

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

The fund financial statements (Exhibits C) provide detailed information about the most significant funds – not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under ESEA Title I Part A - Improving Basic Programs from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (campus activities).

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

## Reporting the District's Fiduciary Responsibilities

*Fiduciary funds* – The District is the trustee, or fiduciary, for money raised by student activities and scholarship funds. All of the District's fiduciary balances are reported in the Statement of Fiduciary Net Position and Changes in Fiduciary Net Position (Exhibits E-1 and E-2). We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Our analysis focuses on the Net Position (Table I) and Changes in Net Position (Table II) of the District's governmental activities. Net position of the District's governmental activities increased by \$2,234,286 from \$68,204,361 to \$70,438,647 during the year.

Changes in governmental net position was the result of the following factors:

- The District's expenditures exceeded revenues by \$1,244,337(decrease).
- The District liquidated long-term debt of \$3,555,000 increase and acquired capital assets of \$2,032,043 increase.
- The District recorded depreciation and amortization of \$3,152,710 (decrease).
- Adjustments of \$755,218 increase were required to convert to full accrual accounting.
- The District's updated GASB 68 calculations resulted in a net adjustment of \$400,872 (decrease).
- The District's updated GASB 75 calculations resulted in a net adjustment of 689,944 increase.

Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other requirements, decreased by \$1,117,529 to \$27,510,137.

The District's total revenues decreased \$3,651,841 from the prior year. This change was a combination of several items:

- State aid funding increased \$1,453,734 during the year.
- Maintenance and operations taxes (decreased) by \$1,464,594.
- Debt service taxes (decreased) \$700,398.
- Charges for services (decreased) \$33,949.
- State and federal grants (decreased) by \$1,698,416.
- Investment earnings (decreased) \$545,421.
- Various other revenue items (decreased) \$662,797 during the year.

The cost of all governmental activities decreased by 2,979,807 to \$27,915,060. However, as shown in the Statement of Activities on Exhibit B-1, the amount that our taxpayers ultimately financed for these activities through District taxes and state equalization funding was \$23,330,292 which was used for expenditures. Some of the costs were paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants, contributions and equalization funding. The remaining expenditures were funded through various miscellaneous revenues and investment earnings.

**Table I**  
**DENVER CITY INDEPENDENT SCHOOL DISTRICT**  
**NET POSITIONS**

	Governmental Activities 2025	Governmental Activities 2024
Cash and temporary investments	\$ 40,957,122	\$ 42,084,524
Other assets	1,154,889	1,155,130
Capital assets	94,715,527	95,687,069
Total Assets	<u>136,827,538</u>	<u>138,926,723</u>
Deferred Outflows of Resources:		
Deferred outflows related to TRS Pension	1,662,497	2,382,539
Deferred outflows related to TRS OPEB	1,747,578	1,124,659
Total Deferred Outflows of Resources	<u>3,410,075</u>	<u>3,507,198</u>
Current liabilities	1,727,160	1,608,899
Noncurrent liabilities	54,072,328	58,156,852
Net Pension liability	5,550,144	5,717,887
Net OPEB liability	3,930,055	2,962,306
Total Liabilities	<u>65,279,687</u>	<u>68,445,944</u>
Deferred Inflows of Resources:		
Deferred Gain on Bond Defeasance	299,132	377,266
Deferred inflows related to TRS pension	95,652	247,079
Deferred inflows related to TRS OPEB	4,124,495	5,159,269
Total Deferred Inflows of Resources	<u>4,519,279</u>	<u>5,783,614</u>
Net Positions:		
Net Investment in Capital Assets	40,852,108	37,789,672
Restricted for Debt Service	2,076,402	1,787,025
Unrestricted	27,510,137	28,627,666
Total Net Positions	<u>\$ 70,438,647</u>	<u>\$ 68,204,363</u>

**Table II**  
**DENVER CITY INDEPENDENT SCHOOL DISTRICT**  
**CHANGES IN NET POSITION**

	Governmental Activities 2025	Governmental Activities 2024
<b>Revenues:</b>		
<b>Program Revenues:</b>		
Charges for services	\$ 125,808	\$ 159,757
Operating grants and contributions	2,802,835	4,353,866
<b>General Revenues:</b>		
Maintenance and operations taxes	12,751,517	14,216,111
Debt service taxes	5,959,191	6,659,589
State aid - formula grants	4,619,584	3,165,850
Grants and contributions not restricted to specific function	63,688	211,073
Investment earnings	1,979,069	2,524,490
Miscellaneous	1,847,654	2,510,451
<b>Total Revenues</b>	<b>30,149,346</b>	<b>33,801,187</b>
<b>Expenses:</b>		
Instruction, curriculum and media services	11,444,815	13,615,698
School leadership	1,669,375	1,533,496
Student support services	1,995,179	2,290,141
Child nutrition	1,191,652	1,109,038
Extracurricular activities	2,299,454	2,289,588
General administration	1,311,292	1,416,513
Plant maintenance, security and data processing	4,939,596	5,201,358
Community services	56,691	56,724
Interest and bond fees	2,448,520	2,646,158
Services between districts and alternative education costs	416,262	581,448
Other intergovernmental charges	142,224	154,707
<b>Total Expenses</b>	<b>27,915,060</b>	<b>30,894,869</b>
<b>Change in Net Position</b>	<b>2,234,286</b>	<b>2,906,318</b>
<b>Net position at beginning of year</b>	<b>68,204,361</b>	<b>65,298,043</b>
<b>Net position at end of year</b>	<b>\$ 70,438,647</b>	<b>\$ 68,204,361</b>

## THE DISTRICT'S FUNDS

### *Fund Balances*

As the District completed the year, its governmental funds (as presented in the balance sheet on Exhibit C-1) reported a combined fund balance of \$42,664,311 which is less than last year's total of \$41,362,134. This \$1,244,337 decrease in fund balance was due to expenditures exceeding revenue.

General Fund (unassigned) - The balance of the General Fund decreased from \$10,476,753 to \$8,947,481 during the 2025 fiscal year. The increase was due to due to revenues exceeding expenditures. This balance is available for current spending.

Special Revenue (unassigned) – This balance decreased from \$177,032 to \$174,938 during the 2025 fiscal year. These accumulated funds are at the campus level but are available for school expenditures.

Debt Service – The Debt Service fund balance had an increase of \$287,027 from \$1,708,321 to \$1,995,348 because revenues were more than debt requirements

### *Budget and Planning*

The original budget for 2024-2025 was developed in the spring of 2024 and adopted by the Board in August 2024. Over the course of the year, the budget was amended. These revisions were necessary for various reasons but mainly as a result of the roofing project.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### *Capital Assets*

At the end of the fiscal year, the District had \$94,709,057 invested net of depreciation, in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration and maintenance. During the year, additions of \$2,174,699 to capital assets included new musical instruments and work on the roof project. Recorded depreciation and amortization expense was \$3,152,710.

### *Debt*

At the end of the fiscal year, the District had long-term debt outstanding of \$54,072,328. Of this amount, \$53,792,429 is general obligation bonds backed by the full faith of the State of Texas Permanent School Fund. More detailed information about the District's debt is presented in Note J to the financial statements.

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

In preparing financial forecasts for the fiscal year 2025–2026, District administration considered current economic conditions, declining property values, and anticipated state funding levels.

Based on preliminary budget projections for the 2025–2026 fiscal year, the District estimates General Fund revenues of \$20,576,744 and projected expenditures totaling \$23,981,568. These projections indicate a potential reduction of General Fund fund balance in the amount of approximately \$3,713,824. The Food Service Fund is projected to operate in a deficit position, while the Debt Service Fund is expected to remain in a positive position for the purpose of defeasance.

For planning purposes, the projected Maintenance and Operations tax rate for the 2025–2026 fiscal year is \$0.8022, and the projected Interest and Sinking tax rate is \$0.4354. The District's taxable property value is projected to decrease from \$1,541,787,689 to \$1,308,201,987.

These projections were developed using conservative revenue assumptions in response to declining local property values and uncertainty related to state funding. Final budget decisions and tax rates for the 2025–2026 fiscal year will be considered and adopted by the Board of Trustees in accordance with state law.

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

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office at Denver City Independent School District, 501 Mustang Avenue, Denver City, Texas 79323.

**BASIC FINANCIAL STATEMENTS**

Government-Wide Financial Statements

Governmental Fund Financial Statements

Fiduciary Fund Financial Statements

Notes to the Financial Statements

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
AUGUST 31, 2025

EXHIBIT A-1

Data Control Codes	Primary Government <u>Governmental Activities</u>
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 192,960
1120 Current Investments	40,764,162
1220 Property Taxes - Delinquent	384,624
1230 Allowance for Uncollectible Taxes	(117,570)
1240 Due from Other Governments	885,735
1267 Due from Fiduciary Funds	2,100
Capital Assets:	
1510 Land	1,061,479
1520 Buildings, Net	90,541,265
1530 Furniture and Equipment, Net	960,678
1550 Right-to-Use Leased Assets, Net	149,124
1580 Construction in Progress	2,002,981
1000 Total Assets	<u>136,827,538</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1705 Deferred Outflow Related to TRS Pension	1,662,497
1706 Deferred Outflow Related to TRS OPEB	1,747,578
1700 Total Deferred Outflows of Resources	<u>3,410,075</u>
<b>LIABILITIES</b>	
2110 Accounts Payable	603,802
2150 Payroll Deductions and Withholdings	98
2160 Accrued Wages Payable	959,577
2177 Due to Fiduciary Funds	16,412
2190 Due to Student Groups	2,100
2200 Accrued Expenses	145,171
Noncurrent Liabilities:	
2501 Due Within One Year: Loans, Note, Leases, etc.	2,857,492
Due in More than One Year:	
2502 Bonds, Notes, Loans, Leases, etc.	51,214,836
2540 Net Pension Liability (District's Share)	5,550,144
2545 Net OPEB Liability (District's Share)	3,930,055
2000 Total Liabilities	<u>65,279,687</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2602 Deferred Gain on Bond Defeasement	299,132
2605 Deferred Inflow Related to TRS Pension	95,652
2606 Deferred Inflow Related to TRS OPEB	4,124,495
2600 Total Deferred Inflows of Resources	<u>4,519,279</u>
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets and Right-to-Use Lease Assets	40,852,108
3850 Restricted for Debt Service	2,076,402
3900 Unrestricted	27,510,137
3000 Total Net Position	<u>\$ 70,438,647</u>

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

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2025

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
		Expenses	3 Charges for Services	4 Operating Grants and Contributions
<b>Primary Government:</b>				
<b>GOVERNMENTAL ACTIVITIES:</b>				
11 Instruction	\$ 11,110,834	\$ -	\$ 998,338	\$ (10,112,496)
12 Instructional Resources and Media Services	216,154	-	4,024	(212,130)
13 Curriculum and Instructional Staff Development	117,827	-	45,568	(72,259)
21 Instructional Leadership	493,089	-	40,169	(452,920)
23 School Leadership	1,176,286	-	34,829	(1,141,457)
31 Guidance, Counseling, and Evaluation Services	986,323	-	279,636	(706,687)
32 Social Work Services	10,107	-	-	(10,107)
33 Health Services	239,306	-	4,674	(234,632)
34 Student (Pupil) Transportation	759,443	-	12,302	(747,141)
35 Food Services	1,191,652	-	971,643	(220,009)
36 Extracurricular Activities	2,299,454	119,217	237,618	(1,942,619)
41 General Administration	1,311,292	-	18,703	(1,292,589)
51 Facilities Maintenance and Operations	4,031,875	-	30,215	(4,001,660)
52 Security and Monitoring Services	427,735	6,591	118,206	(302,938)
53 Data Processing Services	479,986	-	6,499	(473,487)
61 Community Services	56,691	-	411	(56,280)
72 Debt Service - Interest on Long-Term Debt	2,418,160	-	-	(2,418,160)
73 Debt Service - Bond Issuance Cost and Fees	30,360	-	-	(30,360)
91 Contracted Instructional Services Between Schools	416,262	-	-	(416,262)
99 Other Intergovernmental Charges	142,224	-	-	(142,224)
<b>[TP] TOTAL PRIMARY GOVERNMENT:</b>	<b>\$ 27,915,060</b>	<b>\$ 125,808</b>	<b>\$ 2,802,835</b>	<b>(24,986,417)</b>

Data Control Codes	General Revenues:		
	Taxes:		
MT	Property Taxes, Levied for General Purposes		12,751,517
DT	Property Taxes, Levied for Debt Service		5,959,191
SF	State Aid - Formula Grants		4,619,584
GC	Grants and Contributions not Restricted		63,688
IE	Investment Earnings		1,979,069
MI	Miscellaneous Local and Intermediate Revenue		1,847,654
TR	Total General Revenues		<u>27,220,703</u>
CN	Change in Net Position		2,234,286
NB	Net Position - Beginning		<u>68,204,361</u>
NE	Net Position - Ending		<u>\$ 70,438,647</u>

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

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2025

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ 3,560	\$ -	\$ 189,400	\$ 192,960
1120 Investments - Current	39,078,251	1,685,895	16	40,764,162
1220 Property Taxes - Delinquent	276,529	108,095	-	384,624
1230 Allowance for Uncollectible Taxes	(90,529)	(27,041)	-	(117,570)
1240 Due from Other Governments	545,322	8,667	331,746	885,735
1260 Due from Other Funds	248,014	304,286	2,100	554,400
1000 Total Assets	<u>\$ 40,061,147</u>	<u>\$ 2,079,902</u>	<u>\$ 523,262</u>	<u>\$ 42,664,311</u>
<b>LIABILITIES</b>				
2110 Accounts Payable	\$ 598,022	\$ 3,500	\$ 2,280	\$ 603,802
2150 Payroll Deductions and Withholdings Payable	-	-	98	98
2160 Accrued Wages Payable	878,057	-	81,520	959,577
2170 Due to Other Funds	304,286	-	264,426	568,712
2190 Due to Student Groups	2,100	-	-	2,100
2200 Accrued Expenditures	145,171	-	-	145,171
2300 Unearned Revenue	186,000	81,054	-	267,054
2000 Total Liabilities	<u>2,113,636</u>	<u>84,554</u>	<u>348,324</u>	<u>2,546,514</u>
<b>FUND BALANCES</b>				
Restricted Fund Balance:				
3480 Retirement of Long-Term Debt	-	1,995,348	-	1,995,348
Committed Fund Balance:				
3510 Construction	13,831,757	-	-	13,831,757
3530 Capital Expenditures for Equipment	6,969,219	-	-	6,969,219
3545 Other Committed Fund Balance	8,199,054	-	-	8,199,054
3600 Unassigned Fund Balance	8,947,481	-	174,938	9,122,419
3000 Total Fund Balances	<u>37,947,511</u>	<u>1,995,348</u>	<u>174,938</u>	<u>40,117,797</u>
4000 Total Liabilities and Fund Balances	<u>\$ 40,061,147</u>	<u>\$ 2,079,902</u>	<u>\$ 523,262</u>	<u>\$ 42,664,311</u>

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

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
AUGUST 31, 2025

EXHIBIT C-2

<b>Total Fund Balances - Governmental Funds</b>	<b>\$</b>	<b>40,117,797</b>
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$143,857,301 and the accumulated depreciation was (\$48,170,233). In addition, long-term liabilities of \$58,156,582, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities increased net position.		37,530,216
2 The bond premiums are amortized over the life of the debt. The current year amortization of \$635,948 is required to be amortized and recognized in the statement of net position resulting in a increase in net position.		635,948
3 The amount of deferred gain on defeasance, of bonds is required to be recognized in the statement of net position resulting in a decrease in net position.		(299,130)
4 An increase to the compensated sick leave plan resulted in an increase to net position.		42,700
5 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2025 capital outlays and debt principal payments is to increase net position.		5,587,043
6 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$5,550,144, a deferred resource inflow related to TRS in the amount of \$95,652, and a deferred resource outflow related to TRS in the amount of \$1,662,497. This amounted to a decrease in net position.		(3,983,299)
7 Included in the items related to debt is the recognition of the District's proportionate share of the net other post-employment benefit (OPEB) liabilities required by GASB 75 in the amount of \$3,930,055 a deferred resource inflow related to OPEB in the amount of \$4,124,495, and a deferred resource outflow related to OPEB in the amount of \$1,747,578 This amounted to a decrease in net position.		(6,306,972)
8 The 2025 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation decreased net position.		(3,152,710)
9 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue. The net effect of these reclassifications is to increase net position.		267,054
<b>29 Net Position of Governmental Activities</b>	<b>\$</b>	<b>70,438,647</b>

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

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 15,842,148	\$ 6,108,574	\$ 311,542	\$ 22,262,264
5800 State Program Revenues	5,345,634	177,563	436,584	5,959,781
5900 Federal Program Revenues	63,689	-	1,749,016	1,812,705
5020 Total Revenues	<u>21,251,471</u>	<u>6,286,137</u>	<u>2,497,142</u>	<u>30,034,750</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	9,752,379	-	829,514	10,581,893
0012 Instructional Resources and Media Services	192,137	-	-	192,137
0013 Curriculum and Instructional Staff Development	38,642	-	45,554	84,196
0021 Instructional Leadership	486,848	-	31,089	517,937
0023 School Leadership	1,151,758	-	12,338	1,164,096
0031 Guidance, Counseling, and Evaluation Services	731,226	-	266,139	997,365
0032 Social Work Services	5,113	-	-	5,113
0033 Health Services	220,018	-	-	220,018
0034 Student (Pupil) Transportation	609,616	-	-	609,616
0035 Food Services	25,994	-	1,119,448	1,145,442
0036 Extracurricular Activities	1,337,567	-	226,017	1,563,584
0041 General Administration	1,301,333	-	-	1,301,333
0051 Facilities Maintenance and Operations	3,626,877	-	-	3,626,877
0052 Security and Monitoring Services	237,101	-	117,566	354,667
0053 Data Processing Services	473,333	-	-	473,333
0061 Community Services	25,617	-	-	25,617
Debt Service:				
0071 Principal on Long-Term Liabilities	-	3,555,000	-	3,555,000
0072 Interest on Long-Term Liabilities	-	2,418,160	-	2,418,160
0073 Bond Issuance Cost and Fees	4,410	25,950	-	30,360
Capital Outlay:				
0081 Facilities Acquisition and Construction	2,002,981	-	-	2,002,981
Intergovernmental:				
0091 Contracted Instructional Services Between Schools	416,262	-	-	416,262
0099 Other Intergovernmental Charges	142,224	-	-	142,224
6030 Total Expenditures	<u>22,781,436</u>	<u>5,999,110</u>	<u>2,647,665</u>	<u>31,428,211</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,529,965)</u>	<u>287,027</u>	<u>(150,523)</u>	<u>(1,393,461)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
7913 Right-to-Use Lease and SBITA Proceeds	149,124	-	-	149,124
7915 Transfers In	-	-	148,430	148,430
8911 Transfers Out (Use)	(148,430)	-	-	(148,430)
7080 Total Other Financing Sources (Uses)	<u>694</u>	<u>-</u>	<u>148,430</u>	<u>149,124</u>
1200 Net Change in Fund Balances	(1,529,271)	287,027	(2,093)	(1,244,337)
0100 Fund Balance - September 1 (Beginning)	39,476,782	1,708,321	177,031	41,362,134
3000 Fund Balance - August 31 (Ending)	<u>\$ 37,947,511</u>	<u>\$ 1,995,348</u>	<u>\$ 174,938</u>	<u>\$ 40,117,797</u>

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

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED AUGUST 31, 2025

EXHIBIT C-4

<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$</b>	<b>(1,244,337)</b>
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2025 capital outlays and debt principal payments increase the change in net position.		5,587,043
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect decreases change in net position.		(3,152,710)
Bond premiums and deferred gain on refunding are recorded as revenues when the funds are received in the fund financial statements but are capitalized and amortized in the government-wide financial statements. Current bond premium amortization of \$635,948 and current gain on refunding amortization of \$78,134 increased the change in net position.		714,082
A decrease to the compensated sick leave plan resulted in an increase to change in net position.		42,700
Current year changes due to GASB 68 increased revenues in the amount of \$255,645 also increased expenditures in the amount of \$656,517. The net effect is to decrease change in ending net position.		(400,872)
Current year changes due to GASB 75 decreased revenues in the amount of \$853,566 but also decreased expenditures in the amount of \$1,543,510. The net effect is to increase change in ending net position.		689,944
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, The net effect of these reclassifications and recognitions increase change in net position.		(1,564)
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>2,234,286</b>

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

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
AUGUST 31, 2025

	Private Purpose Trust Fund	Total Custodial Funds
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ -	\$ 265,306
Due from Other Funds	19,853	-
<b>Total Assets</b>	<b>19,853</b>	<b>\$ 265,306</b>
<b>LIABILITIES</b>		
Due to Other Funds	-	3,441
<b>Total Liabilities</b>	<b>-</b>	<b>3,441</b>
<b>NET POSITION</b>		
Restricted for Campus Activities	-	261,865
Restricted for Scholarships	19,853	-
<b>Total Net Position</b>	<b>\$ 19,853</b>	<b>\$ 261,865</b>

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

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2025

	Private Purpose Trust Fund	Total Custodial Funds
<b>ADDITIONS:</b>		
Miscellaneous Revenue - Student Activities	\$ -	\$ 121,515
Earnings from Temporary Deposits	-	1,830
Total Additions	-	123,345
<b>DEDUCTIONS:</b>		
Supplies and Materials	-	138,966
Total Deductions	-	138,966
Change in Fiduciary Net Position	-	(15,621)
Total Net Position September 1 (Beginning)	19,853	277,486
Total Net Position August 31 (Ending)	\$ 19,853	\$ 261,865

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

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2025

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Denver City Independent School District (the District) is a public education agency operating under the applicable laws and regulations of the State of Texas. The District prepares its basic financial statements in conformity with accounting principles generally accepted in the United States of America promulgated by the Governmental Accounting Standards Board (GASB) applicable to governmental units. The District also complies with the appropriate version of the Texas Education Agency's (TEA) Financial Accountability System Resource Guide (FAR) and the requirements of contracts and grants of agencies from which it receives funds. GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

**A. REPORTING ENTITY**

The Board of School Trustees (the Board), a seven-member group, is elected by the public and has the authority to make decisions, appoint administrators and managers and significantly influence operations. It also has the primary accountability for fiscal matters. All powers and duties not specifically delegated by statute to the TEA or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District is not included in any other governmental "reporting entity" as defined in governmental accounting and financial reporting standards. There are no component units included within the reporting entity.

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

**B. BASIS OF ACCOUNTING AND PRESENTATION**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Denver City Independent School District's non-fiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support. The District currently has no business-type activities.

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

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or Statement of Net Position. Bond premiums are deferred and amortized over the life of the bonds. Bond issue costs are expensed when incurred, in accordance with GASB Statements No. 63 and 65.

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2025

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED**

**B. BASIS OF ACCOUNTING AND PRESENTATION — CONTINUED**

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

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

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

**FUND FINANCIAL STATEMENTS**

The fund financial statements provide reports on the financial condition and results of operations for three fund categories — governmental, proprietary and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. Major governmental funds are reported as a separate column in the fund financial statements.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, deferred inflows of resources, and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt which is recognized when due.

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

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

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2025

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED**

**B. BASIS OF ACCOUNTING AND PRESENTATION — CONTINUED**

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred inflows of resources until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

The proprietary fund types and fiduciary funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expensed in the accounting period in which they are incurred and become measurable. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included in the Statement of Net Position. The fund equity is segregated into net investment in capital assets, restricted and unrestricted.

**GOVERNMENTAL FUND TYPES**

The District reports the following major governmental fund:

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

**Debt Service Fund** — The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a Debt Service Fund.

Additionally, the District reports the following fund type(s):

**Governmental Funds:**

**Special Revenue Funds** — The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most federal and some state financial assistance is accounted for in a special revenue fund. Except for the food service fund, any unused balances are returned to the grantor at the close of specified project periods. The food service fund is the only required budgeted special revenue fund and historically operates at a deficit that is funded by an operating transfer from the general fund.

The District's food service is considered a special revenue fund since the general fund only subsidizes the food service program for all expenditures in excess of the National School Lunch Program (NSLP) and user fees. Food service fund balances, if any, are used exclusively for child nutrition program purposes. For all other funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED AUGUST 31, 2025

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED**

**B. BASIS OF ACCOUNTING AND PRESENTATION — CONTINUED**

**GOVERNMENTAL FUND TYPES - CONTINUED**

**Fiduciary Funds:**

**Custodial Funds** — The District accounts for the activities of student groups in these funds. Student activity organizations exist with the explicit approval of, and are subject to revocation by, the District’s Board of Trustees.

**Private Purpose Trust Funds** — The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District’s Private Purpose Trust Funds are scholarship funds with annual scholarships to be awarded to past students of the District in accordance with the donor stipulations.

**C. OTHER ACCOUNTING POLICIES**

**Cash Equivalents** — For purposes of the Statement of Cash Flows for proprietary and similar fund types, the District considers highly liquid investments to be cash equivalents if they mature in three months or less when purchased.

**Capital Assets** — Capital assets, which include land, buildings, furniture and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	30-50
Building Improvements	20
Vehicles	5-8
Other Equipment	5-10
<i>Land is not depreciated</i>	

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2025

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED**

**C. OTHER ACCOUNTING POLICIES — CONTINUED**

**Consumable Materials and Supplies** — The District's disbursements for the purchase of consumable materials and supplies are recorded as expenditures. Inventories of such items, therefore, are not included in the balance sheet. Food commodities are recorded at market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as expenditures when received, and revenue is recognized for an equal amount.

**Due From (To) Other Funds** — Interfund receivables and payables arise from interfund transactions and are recorded in the affected funds in the period in which transactions are executed. See Note IV, D for additional discussion of interfund receivables, payables and transfers.

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

**Long-Term Debt** — In the government-wide financial statements, long-term debt obligations are reported as liabilities in the applicable governmental activity. Bond premiums, but not issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium. Bond issuance costs are expensed in the year incurred. Accretion of interest on the capital appreciation bonds is recorded at the accreted value through the end of the fiscal year.

In the Fund Financial Statements, governmental fund types recognize payment of debt as an expenditure 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Leases** — The District implemented GASB Statement No. 87 (GASB 87) for reporting leases. A right-to-use lease is defined as a contract that conveys control of another entity's nonfinancial asset(s) as specified in the contract for a period of time in an exchange or exchange-like transaction. To be accounted for as a lease, the lease must meet the definition of a "long-term" lease provided in GASB 87 and must meet the capitalization level set by the Board. The right-to-use lease liability is reported in government-wide statements. The lease liability is calculated as the present value of the reasonably certain expected payments to be made over the term of the lease and the interest included in the lease payment is recorded as an expense.

**Subscription-Based Information Technology Arrangements** — The District adopted GASB Statement 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset— an intangible asset— and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Management of the District evaluated all lease agreements currently in place and made the determination that the implementation of GASB 96 would not have a material impact on the District's financial statements. Consequently, GASB 96 was not implemented for the District's fiscal year ending August 31, 2025, financial statements.

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2025

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED**

**C. OTHER ACCOUNTING POLICIES — CONTINUED**

**Vacation and Sick Leave** — Vacations should be taken within the same year they are earned, but up to 30 unused days can be carried over to the next year. Therefore, no liability has been accrued in the accompanying General Purpose Financial Statements. Employees of the District are entitled to sick leave based on category/class of employment. Sick leaves are allowed to accumulate but do not vest unless employed for more than ten years. (See Note H). Therefore, a liability for unused sick leave has not been recorded in the accompanying General Purpose Financial Statements.

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

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

**Deferred Inflows of Resources** — In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Uncollected property taxes which are assumed collectible are reported in this category on the balance sheet for governmental funds. On the government-wide statements, these taxes are included in revenue; therefore, they are not reported in this category on the government-wide statement of net position.

**Restriction on Assets** — The assets of the scholarship funds are restricted for scholarships only. There are no restrictions on the assets of the General Fund.

**Net Position on the Statement of Net Position**

**Net Investment in Capital Assets** — The component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

**Restricted for Federal and State Programs** — The component of net position that is restricted for the operation of the food service.

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2025

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED**

**C. OTHER ACCOUNTING POLICIES — CONTINUED**

**Restricted for Debt Service** — The component of net position that is restricted for use in repayment of long-term obligations of the District.

**Unrestricted** — The difference between assets with deferred outflows of resources and liabilities with deferred inflows of resources that is not reported in Net Investment in Capital Assets, Restricted for Federal and State programs, or Restricted for Debt Service.

**Governmental Fund Balances:**

The District uses the following classifications of fund balance.

**Nonspendable Fund Balance** — amounts that cannot be spent because they are either not in a spendable form or legally or contractually required to be maintained intact. The District does not have a nonspendable fund balance.

**Restricted Fund Balance** — that fund balance that can be spent only for specific purposes stipulated by constitution, external resource providers, laws and regulations of other governments or enabling legislation.

**Committed Fund Balance** — that portion of fund balance that can be used only for specific purposes pursuant to constraints imposed by formal Board action no later than the close of the fiscal year. Those constraints remain binding unless removed or changed in the same manner. The District has committed balances for construction, capital expenditures and other items totaling \$29,000,030.

**Assigned Fund Balance** — that portion of fund balance that is constrained by the District's intent to be used for specific purposes but is neither restricted nor committed. Such intent is expressed by the Board or its designated official. Constraints imposed on the use of assigned amounts can be removed without formal Board action. The District does not have an assigned fund balance.

**Unassigned Fund Balance** — that portion of fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the General Fund. It represents that portion that is available for budgeting future operations.

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

**Encumbrance Accounting** — The District employs encumbrance accounting for goods or purchased services documented by purchase orders and contracts. An encumbrance represents an appropriation related to unperformed contracts for goods and services but does not represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at August 31, and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year's budget.

**Management's Use of Estimates** — The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2025

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES — CONTINUED**

**C. OTHER ACCOUNTING POLICIES — CONTINUED**

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

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION**

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the Governmental Fund Balance Sheet and the net position for governmental activities as reported in the government-wide Statement of Net Position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

<u>Capital Assets Beginning of the Year</u>	<u>Historic Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value Beginning of the Year</u>	<u>Change in Net Position</u>
Land	\$ 1,061,479		\$ 1,061,479	
Buildings and Improvements	132,614,447	(39,329,548)	93,284,899	
Furniture and Equipment	10,041,600	(8,744,947)	1,296,653	
Lease Equipment	139,775	(95,738)	44,037	
Change in Net Position				\$ 95,687,068
<u>Long-Term Liabilities Beginning of the Year</u>			<u>Payable Beginning of the Year</u>	
Bonds Payable			\$ 52,340,000	
Bond Premium			5,643,377	
Compensated Absences			173,475	
Leases			-	
Change in Net Position				<u>58,156,852</u>
Net Adjustment to Net Position				<u>\$ 37,530,216</u>

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2025

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS —  
CONTINUED**

**B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL  
FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**

Exhibits C-2 and C-4 provide reconciliations between the net changes in fund balance as shown on the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance and the Changes in Net Position of Governmental Activities as reported on the government-wide Statement of Activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements but should be shown as increases in net position in the government-wide statements. This adjustment affects both the net position balance and the change in net position. The details of this adjustment are as follows:

	<u>Amount</u>	<u>Exhibit C-2 Adjustments to Net Position</u>	<u>Exhibit C-4 Adjustments to Changes in Net Position</u>
<u>Current Year Capital Outlay</u>			
Furniture and Equipment	\$ 29,063		
Construction in Process	2,002,980		
Total Capital Outlay	<u>\$ 2,032,043</u>	\$ 2,032,043	\$ 2,032,043
<u>Debt Principal Payments</u>			
Bond Payments	\$ 3,555,000		
Compensated absence payments	-		
Lease Payments	-		
Total Principal Payments	<u>\$ 3,555,000</u>	<u>3,555,000</u>	<u>3,555,000</u>
Total Adjustment to Net Position		<u>\$ 5,587,043</u>	<u>\$ 5,587,043</u>

Another element of the reconciliation on Exhibits C-2 and C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

	<u>Amount</u>	<u>Exhibit C-2 Adjustments to Net Position</u>	<u>Exhibit C-4 Adjustments to Changes in Net Position</u>
<u>Adjustments to Revenue and Deferred Revenue</u>			
Taxes Collected from Prior Year Levies	\$ 107,941	\$ -	\$ (107,941)
Uncollected Taxes (assumed collectible)			
from Current Year Levy	\$ 143,336	143,336	143,336
Uncollected Taxes (assumed collectible)			
from Prior Year Levy	\$ 123,718	123,718	
Change in Estimate of Deferred			
Revenue at Beginning of Year	\$ 36,959		(36,959)
		<u>\$ 267,054</u>	<u>\$ (1,564)</u>

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2025

**III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. BUDGETARY DATA**

The Board of Trustees adopts an "appropriated budget" for the General Fund, Child Nutrition Program (which is included in the special revenue funds) and Debt Service Fund. The District is required to present the adopted and final amended budget revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund budget report appears in Exhibit G-1 and the other two reports are in Exhibits J-2 and J-3.

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

1. Prior to August 20, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after the fiscal year end. Budget amendments were necessary during the year. These budget amendments were a result of capital improvement projects. The budget was overbudget in both the debt service fund and the food service. The general fund was not overbudget.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year end.

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**A. DEPOSITS AND INVESTMENTS**

Legal Contractual Provisions Governing Deposits and Investments

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities and (9) bid solicitation preferences for certificates of deposit.

Statutes and local investment policy authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies and the State of Texas, (2) certificates of deposit, (3) fully collateralized repurchase agreements, (4) securities lending program, (5) bankers' acceptances, (6) commercial paper, (7) no-load money market mutual funds, (8) no-load mutual funds, (9) guaranteed investment contracts and (10) public investment pools.

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2025

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS — CONTINUED**

**A. DEPOSITS AND INVESTMENTS — CONTINUED**

The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

Policies Governing Deposits and Investments

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. This policy is reviewed on an annual basis and addresses the following risks:

**Custodial Credit Risk for Deposits (cash, certificates of deposit and interest-bearing savings accounts) —** The funds of the District must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank acquired a surety bond in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The District's depository bank provided letters of credit totaling \$250,000 to \$3,000,000 during the year in addition to normal FDIC coverage on the deposits.

The District uses West Texas National Bank as its depository. At August 31, 2025, the carrying amount of the District's deposits (cash, certificates of deposits and interest-bearing savings accounts) at West Texas National Bank was \$265,306 and the bank balance was \$800,882.

The District's largest balance in West Texas National Bank was \$3,090,787 which occurred in October 2024 when the value of the surety bond and FDIC insurance was \$5,500,000. As of August 31, 2025, all funds were fully secured.

**Custodial Credit Risks for Investments —** To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligation, the District limits investments to certificates of deposit and public funds investment pools.

**Interest Rate Risk —** Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. The District invests in certificates of deposit and interest-bearing checking and savings accounts to limit the interest rate risk. The Lone★Star Investment Pool maintains a weighted average maturity of 60 days or fewer.

**Credit Risk —** To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations, the District limits investments in investment pools to AAA ratings issued by nationally recognized statistical rating organizations (NRSROs). As of August 31, 2025, Standard & Poors rated the District's investment pools AAA.

**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. There were no investments in any one issuer that represent 5% or more of the District's total investments.

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2025

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS — CONTINUED**

**A. DEPOSITS AND INVESTMENTS — CONTINUED**

The District also participates in the Lone★Star Investment Pool. The Pool is administered by First Public, LLC, a wholly owned subsidiary of the Texas Association of School Boards, Inc. and is governed by an eleven-member Board of Trustees (Board) made up of active participants in the Pool. The Board has the responsibility of adopting and monitoring compliance with the investment policy, appointing investment officers, and overseeing the selection of an investment advisor, custodian, investment consultant, administrator, and other service providers. The Board is also responsible for monitoring the performance of the Pool. The Lone★Star Pool uses the Bank of New York Mellon to settle all trades for the Pool and secures and values its assets every day. Two other firms, American Beacon Advisors and BNY Mellon Cast Investment Strategies, manage the investment and reinvestment of Lone★Star’s assets. The District participates in two separate sub-funds of the Lone★Star Investment Pool: Corporate Overnight Fund and the Government Overnight Fund. Both funds provide participants with safety of principal, daily liquidity, and the highest possible rate of return. These funds seek to maintain a net asset value of one dollar and its dollar-weighted average maturity is 60 days or fewer.

A summary of the District’s cash and cash equivalents and investments at August 31, 2025, are shown below:

	<u>Cash on Hand</u>	<u>Bank</u>	<u>Investments</u>	<u>Total</u>
General Fund	\$ 3,560	\$ -	\$ 39,078,251	\$ 39,081,811
Debt Service Fund	-	-	1,685,895	1,685,895
Other Governmental	150		16	166
Total Governmental	<u>3,710</u>	<u>-</u>	<u>40,764,162</u>	<u>40,767,872</u>
Fiduciary Funds	-	265,306	-	265,306
Total	<u>\$ 3,710</u>	<u>\$ 265,306</u>	<u>\$ 40,764,162</u>	<u>\$ 41,033,178</u>

The District’s investments at August 31, 2025, are as follows:

<u>Investment Pool</u>	<u>Account Name</u>	<u>Fund Rating</u>		<u>Yield</u>	<u>Amount</u>
		<u>(Standard &amp; Poor’s)</u>	<u>Maturity</u>		
Lone★Star	General Fund	AAAf/ SI+	On demand	5.30%	\$39,078,251
Lone★Star	Interest & Sinking	AAAf/ SI+	On demand	5.30%	1,685,895
Lone★Star	Construction	AAAf/ SI+	On demand	0.00%	16
	Total				<u>\$40,764,162</u>

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED AUGUST 31, 2025

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS — CONTINUED**

**B. PROPERTY TAXES**

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay the liabilities of the current period. The District levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the levy date. The certified assessed taxable value of the property tax roll in July 2024, upon which the levy for the 2024-2025 fiscal year was based, was \$1,541,787,689. The roll was subsequently increased to a year-end assessed value of \$1,549,222,435. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to penalty and interest charges plus 20% delinquent collection fees for attorney costs.

The tax rates assessed for the year ended August 31, 2025, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt was \$0.8241 and \$0.3854 per \$100 valuation, respectively, for a total of \$1.2095 per \$100 valuation.

Delinquent taxes are recorded as an asset and allowances for uncollectible tax receivables are based on historical experience in collecting property taxes. The District is prohibited from writing-off real property taxes until they have been delinquent for twenty years.

**C. DISAGGREGATION OF DUE FROM/TO OTHER GOVERNMENTS**

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements through the State School Foundation and Per Capita Programs. Amounts due from or to federal and state governments as of August 31, 2025, are included in the summary below. All federal grants shown below are passed through the Texas Education Agency and are reported on the combined financial statements as Due from Other Governments.

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Special Fund</u>	<u>Total</u>
Due from State	\$ 526,655	\$ -	\$ 331,746	\$ 858,401
Due from Yoakum County Taxes	18,667	8,667		27,334
Total	<u>\$ 545,322</u>	<u>\$ 8,667</u>	<u>\$ 331,746</u>	<u>\$ 885,735</u>

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2025

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS — CONTINUED**

**D. INTERFUND BALANCES AND TRANSFERS**

Interfund balances at August 31, 2025, consisted of the following individual fund balances:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
<b>General Fund:</b>		
General Fund	\$ -	-
Debt Service Fund		304,286
Nonmajor Governmental Funds	248,014	
Fiduciary Funds		2,100
Total General Fund	<u>248,014</u>	<u>306,386</u>
<b>Debt Service Fund</b>		
General Fund	<u>304,286</u>	-
Total Nonmajor Governmental Funds	<u>304,286</u>	-
<b>Nonmajor Governmental Funds</b>		
General Fund		248,014
Fiduciary Fund	<u>2,100</u>	<u>16,412</u>
Total Nonmajor Governmental Funds	<u>2,100</u>	<u>264,426</u>
Total Governmental Funds	554,400	570,812
<b>Fiduciary Funds</b>		
Nonmajor Governmental Funds	16,412	-
Fiduciary Fund	<u>3,441</u>	<u>3,441</u>
Total Nonmajor Governmental Funds	<u>19,853</u>	<u>3,441</u>
Total	<u>\$ 574,253</u>	<u>\$ 574,253</u>

The District did not clear the interfund payables and receivables at year-end. The amounts represent short-term borrowings between funds for payment of year end expenses.

Interfund transfers for the year ended August 31, 2025, consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 148,430
Nonmajor Governmental Fund	148,430	-
	<u>\$ 148,430</u>	<u>\$ 148,430</u>

These transfers were to supplement the operation of the National School Lunch program.

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2025

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS — CONTINUED**

**E. CAPITAL ASSET ACTIVITY**

Capital asset activity for the District for the year ended August 31, 2025, was as follows:

	Primary Government			Ending Balance
	Beginning Balance	Additions	Retirements/ Adjustments	
Governmental Activities				
Capital Assets				
Land	\$ 1,061,479			\$ 1,061,479
Buildings and Improvements	132,614,447			132,614,447
Furniture and Equipment	10,041,600	22,594		10,064,194
Construction in Process	-	2,002,981		2,002,981
Totals at Historical Cost	<u>143,717,526</u>	<u>2,025,575</u>	<u>-</u>	<u>145,743,101</u>
Less Accumulated Depreciation for				
Buildings and Improvements	(39,329,548)	(2,743,635)		(42,073,183)
Furniture and Equipment	(8,744,947)	(365,038)		(9,109,985)
Total Accumulated Depreciation	<u>(48,074,495)</u>	<u>(3,108,673)</u>	<u>-</u>	<u>(51,183,168)</u>
Capital Assets, net	<u>95,643,031</u>	<u>(1,083,098)</u>	<u>-</u>	<u>94,559,933</u>
Right-to-use Leased Assets				
Furniture and Equipment	139,775	149,124	(139,775)	149,124
	<u>139,775</u>	<u>149,124</u>	<u>(139,775)</u>	<u>149,124</u>
Less Accumulated Amortization:				
Furniture & Equipment	(95,738)	(44,037)	139,775	-
	<u>(95,738)</u>	<u>(44,037)</u>	<u>139,775</u>	<u>-</u>
Right-to-use Leased Assets, Net	<u>44,037</u>	<u>105,087</u>	<u>-</u>	<u>149,124</u>
Total Capital Assets, Net	<u>\$ 95,687,068</u>	<u>\$ (978,011)</u>	<u>\$ -</u>	<u>\$ 94,709,057</u>

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2025

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS — CONTINUED**

**E. CAPITAL ASSET ACTIVITY - CONTINUED**

For the year ended August 31, 2025, depreciation expense was charged to governmental functions as follows:

Instruction	\$ 1,202,011
Instructional Resources and Media Services	32,887
Curriculum Development and Instructional Staff Development	33,631
School Leadership	72,518
Guidance, Counseling, and Evaluation Services	36,000
Social Work Services	4,994
Health Services	34,137
Student Transportation	179,526
Food Services	64,242
Extracurricular Activities	771,349
General Administration	72,490
Plant Maintenance and Operations	479,244
Security and Monitoring Services	73,068
Data Processing Services	21,502
Community Services	31,074
Total Depreciation Expense	<u><u>\$ 3,108,673</u></u>

For the year ended August 31, 2025, amortization expense was charged to governmental functions as follows:

Instruction	\$ 36,587
Instructional Leadership	1,761
School Leadership	1,762
General Administration	3,927
Total Amortization Expense	<u><u>\$ 44,037</u></u>

**F. UNAVAILABLE REVENUE — PROPERTY TAXES**

The Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Deferred inflows of resources consisted of the following at year end:

	General Fund	Debt Services Fund	Total
Property Taxes - Delinquent	\$ 276,529	\$ 108,095	\$ 384,624
Less: Allowance for Uncollectible Taxes	(90,529)	(27,041)	(117,570)
Total Deferred Inflows of Resources (Exhibit C-1)	<u><u>\$ 186,000</u></u>	<u><u>\$ 81,054</u></u>	<u><u>\$ 267,054</u></u>

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2025

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS — CONTINUED**

**G. BONDS PAYABLE**

Bonded indebtedness of the District is reflected in the Statement of Net Position. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund.

Unlimited Tax School Building Bonds – Series 2016A

On March 21, 2016, the District issued Unlimited Tax School Bonds, Series 2016 a in the amount of \$50,145,000. These serial current interest bonds require annual principal payments ranging from \$715,000 to \$1,205,000. Principal payments began on February 15, 2018, and the final payment will be made February 15, 2041. Interest rates on the annual installments ranged from 2.0% to 5%. There was an extra payment of \$1,645,000 paid on this bond during the current year. This extra payment reduced the payoff of the bond by one year.

Unlimited Tax Refunding Bonds – Series 2020

In 2020, the District issued Unlimited Tax Refunding Bonds, Series 2020, in the amount of \$12,195,000. The interest rate on the annual installments ranges from 3.00% to 5.00%. Principal payments began on February 15, 2020, and the final payment is due on February 15, 2033.

Debt service requirements are as follows:

Year Ending August 31,	General Obligations		Total Requirements
	Principal	Interest	
2026	2,005,000	2,259,975	4,264,975
2027	2,105,000	2,163,175	4,268,175
2028	2,200,000	2,067,700	4,267,700
2029	2,305,000	1,967,725	4,272,725
2030	2,410,000	1,863,025	4,273,025
2031-2035	14,245,000	7,641,025	21,886,025
2036-2040	19,090,000	3,588,250	22,678,250
2041	4,425,000	110,625	4,535,625
	<u>\$ 48,785,000</u>	<u>\$ 21,661,500</u>	<u>\$ 70,446,500</u>

**H. COMPENSATED ABSENCES**

An employee with at least ten years of service with the District who voluntarily separates from employment with the District is eligible for reimbursement for state and local leave. The employee shall be reimbursed for each day of unused state and local leave, to a maximum of 100 days, at a rate of \$50 per day. This liability is included in the government-wide financial statements.

A summary of changes in the compensated absences liability follows:

Estimated obligation, September 1, 2024	\$ 173,475
Additional accumulations	-
Forfeitures	(42,700)
Payments to participants	-
Estimated obligation, August 31, 2025	<u>\$ 130,775</u>

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2025

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS — CONTINUED**

**I. RIGHT-TO-USE LEASES**

Copiers

As of August 31, 2025, the District entered into a new lease for copiers. There were not any payments paid during the current year.

The District also rents miscellaneous maintenance equipment as needed and is not subject to GASB Statement No. 87.

Remaining obligations associated with this lease is as follows:

Year Ending August 31,	Lease Obligations		Total
	Principal	Interest	Requirements
2026	\$ 27,492	\$ 5,464	\$ 32,956
2027	28,612	4,344	32,956
2028	29,777	3,179	32,956
2029	30,990	1,966	32,956
2030	32,253	703	32,956
	<u>\$ 149,124</u>	<u>\$ 15,656</u>	<u>\$ 164,780</u>

**J. CHANGES IN LONG-TERM LIABILITIES**

Long-term activity for the year ended August 31, 2025, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds:					
Bonds - Series 2016A	\$ 43,215,000	\$ -	\$ 2,730,000	\$ 40,485,000	\$ 1,135,000
Bonds - Series 2020	9,125,000		825,000	8,300,000	870,000
Premium on Bonds	5,643,377		635,948	5,007,429	
Compensated Absences	173,475	-	42,700	130,775	
Leases	-	149,124	-	149,124	27,492
	<u>\$ 58,156,852</u>	<u>\$ 149,124</u>	<u>\$ 4,233,648</u>	<u>\$ 54,072,328</u>	<u>\$ 2,032,492</u>

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2025

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS — CONTINUED**

**K. DEFINED BENEFIT PENSION PLAN**

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

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

**Pension Plan Fiduciary Net Position** — Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately issued Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the internet at <https://www.trs.texas.gov/learning-resources/publications>; by writing to TRS at attention Finance Division, PO Box 149676, Austin, TX, 78714-0185; or by calling 1-800-223-8778.

**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 under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above. Accordingly, the 2023 Texas Legislature passed Senate Bill (SB) 10 and House Joint resolution (HJR) 2 to provide eligible retirees with a one-time-stipend and an ad hoc cost-of-living- adjustment (COLA).

**One-Time Stipends** - Stipends, regardless of annuity amount, were paid in September 2023 to annuitants who met the qualifying age requirement on or before August 31, 2023.

- A one-time \$7,500 stipend to eligible annuitants who are 75 years of age and older.
- A one-time \$2,400 stipend to eligible annuitants age 70 to 74.

**Cost-of-Living Adjustment** - A cost-of-living adjustment (COLA) was dependent on Texas voters approving a constitutional amendment (Proposition 9) to authorize the COLA. Voters approved the amendment in the November 2023 election, and the following COLA was applied to eligible annuitants' payments beginning with their January 2024 payment.

- 2% COLA for eligible retirees who retired between September 1, 2013, through August 31, 2020.
- 4% COLA for eligible retirees who retired between September 1, 2001, through August 31, 2013.

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED AUGUST 31, 2025

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS — CONTINUED**

**K. DEFINED BENEFIT PENSION PLAN – CONTINUED**

Cost-of-Living Adjustment – continued

- 6% COLA for eligible retirees who retired on or before August 31, 2001.

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 this manner are determined by the System's actuary.

**Contributions** — Contribution requirements are established or amended pursuant to 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.

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 through 2025.

The following table shows contribution rates by type of contributor for the measurement year 2024 and the contributions by type of contributions reported by TRS which were received by TRS during the TRS measurement year 2024. The reported contributions from the member and the employers are included in the calculation of the district's proportionate share of the net pension liability.

Contributions Rates

	2024
Member	8.25%
Non-Employer Contributing Entity (State)	8.25%
Employer	8.25%
District's Measurement Year Employer Contributions	\$ 512,032
District's Measurement Year Member Contributions	447,197
District Measurement Year NECE On-Behalf Contributions	730,038

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

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED AUGUST 31, 2025

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS — CONTINUED**

**K. DEFINED BENEFIT PENSION PLAN – CONTINUED**

**Contributions — Continued**

entities, or the State of Texas as the employer for senior colleges, 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.

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

- All public schools, charter schools, and regional educational service centers must contribute 1.9 percent of the members' salary beginning in fiscal year 2024, 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.

**Net Pension Liability**

Components of the net pension liability of the plan as of August 31, 2024, are disclosed below: (From TRS Annual Comprehensive Financial Report 2024, p. 88.)

<u>Net Pension Liability</u>	<u>2024</u>
Total pension liability	\$ 271,627,434,294
Less plan fiduciary net position	<u>(210,543,258,495)</u>
Net pension liability	<u>\$ 61,084,175,799</u>

Net position as a percentage of total pension liability	77.51%
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**Actuarial Assumptions**

The total pension liability in the August 31, 2023, actuarial valuation was determined using the following actuarial assumptions: Actuarial Assumptions can be found in the TRS ACFR, page 88.

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED AUGUST 31, 2025

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS — CONTINUED**

**K. DEFINED BENEFIT PENSION PLAN — CONTINUED**

**Actuarial Assumptions, continued**

<b>Component</b>	<b>Result</b>
Valuation Date	August 31, 2023 rolled forward to August 31, 2024
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 2024	which represents the estimated yield of a portfolio of 20 general obligation bonds maturing in 20 years based on a survey of municipal bond traders.
Last year ending August 31 in Projection Period (100 years)	2123
Inflation	2.30%
Salary Increases	2.95% to 8.95% including inflation
Ad Hoc Post-Employment Benefit Changes	None

The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2023. For a full description of these assumptions please see the TRS actuarial valuation report dated November 21, 2023.

**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 9.54 percent of payroll 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.

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-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. 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, 2024 (see page 56 of the 2024 TRS ACFR) are summarized below:

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2025

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS — CONTINUED**

**K. DEFINED BENEFIT PENSION PLAN — CONTINUED**

Asset Class <sup>1</sup>	Target Allocation <sup>2</sup> %	Long-Term Expected Geometric Real Rate of Return <sup>3</sup>	Expected Contribution to Long-Term Portfolio Returns
<b>Global Equity</b>			
USA	18.0 %	4.4 %	1.0 %
Non-US Developed	13.0	4.2	0.8
Emerging Markets	9.0	5.2	0.7
Private Equity	14.0	6.7	1.2
<b>Stable Value</b>			
Government Bonds	16.0	1.9	0.4
Stable Value Hedge Funds	5.0	3.0	0.2
Absolute Return	0.0	4.0	0.0
<b>Real Return</b>			
Real Estate	15.0	6.6	1.2
Energy, Natural Resources & Infrastructure	6.0	5.6	0.4
Commodities	0.0	2.5	0.0
<b>Risk Parity</b>	8.0	4.0	0.4
<b>Asset Allocation Leverage</b>			
Cash	2.0	1.0	0.0
Asset Allocation Leverage	(6.0)	1.3	(0.1)
Inflation Expectation			2.4
Volatility Drag <sup>4</sup>			(0.7)
<b>Total</b>	<b>100.0 %</b>		<b>7.9 %</b>

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

<sup>2</sup> Target allocations are based on the FY2024 policy model.

<sup>3</sup> Capital Market Assumptions (CMA) come from 2024 SAA Study CMA Survey (as of 12/31/2023).

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

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED AUGUST 31, 2025

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS — CONTINUED**

**K. DEFINED BENEFIT PENSION PLAN — CONTINUED**

**Discount Rate Sensitivity Analysis** — The following table presents the District's net pension liability of the plan using the discount rate of 7.00 percent, and what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate.

	1% Decrease in Discount Rate (6.00%)	Current Single Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
District's proportionate share of the net pension liability	\$ 8,864,987	\$ 5,550,144	\$ 2,803,562

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** — At August 31, 2025, Denver City Independent School District reported a liability of \$5,550,144 its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Denver City Independent School District. The amount recognized by Denver City Independent School 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 Denver City Independent School District were as follows:

District's proportionate share of the collective net pension liability	\$ 5,550,144
State's proportionate share that is associated with the District	7,913,218
Total	\$ 13,463,362

The net pension liability was measured as of August 31, 2023, and rolled forward to August 31, 2024, 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 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 employer's proportion of the collective net pension liability was 0.000090860589% which was an increase(decrease) of 0.0000076191% from its proportion measured as of August 31, 2023.

**Changes In Actuarial Assumptions 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.

**Changes In Benefits** — The 2023 Texas Legislature passed Senate Bill 10 (SB10), which provided a stipend payment to certain retirees and variable ad hoc cost-of-living adjustments (COLA) to certain retirees in early fiscal year 2024. Due to its timing, the legislation and payments were not reflected in the August 31, 2023, actuarial valuation. Under the roll forward method, an adjustment was made to reflect the legislation in the rolled forward liabilities for the current measurement year, August 31, 2024. SB 10 and House Joint Resolution 2 (HJR 2) of the 88th Regular Legislative Session appropriated payments of \$1,645 billion for on-time stipends and \$3,355 billion for COLAs. This appropriation is treated as a supplemental contribution and included in

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2025

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS — CONTINUED**

**K. DEFINED BENEFIT PENSION PLAN — CONTINUED**

**Changes In Benefits — Continued**

other additions. Since the Legislature appropriated funds for this one-time stipend and COLA, there was no impact on the Net Pension Liability of TRS.

For the year ended August 31, 2025, Denver City Independent School District recognized pension expense of \$945,762 and revenue of \$945,762 for support provided by the State in the Government Wide Statement of Activities.

At August 31, 2025, Denver City Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources: (The amounts shown below will be the cumulative layers from the current and prior years combined.)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 305,916	\$ 43,333
Changes in actuarial assumptions	286,566	38,419
Net difference between projected and actual investment earnings	34,237	
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	510,258	13,900
Contributions paid to TRS subsequent to the measurement date	525,520	
Total	\$ 1,662,497	\$ 95,652

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

<u>Year ended August 31:</u>	<u>Expense Amount</u>
2026	\$ 158,206
2027	712,073
2028	159,772
2029	(53,345)
2030	64,120
Thereafter	-

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED AUGUST 31, 2025

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS — CONTINUED**

**L. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS**

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

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

**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 (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the internet at <http://www.trs.texas.gov/learning-resources/publications>; by writing to TRS at P.O. Box 149676, Austin, TX, 78714-0185; or by calling (800) 223-8778.

**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 presented in the following table:

	<u>TRS-Care Monthly Premium Rates</u>	
	<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 on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and participating employers based on active employee compensation. The TRS Board of Trustees does not have the authority to set or amend contribution rates.

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED AUGUST 31, 2025

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS — CONTINUED**

**L. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS — CONTINUED**

**Contributions — Continued**

Texas Insurance Code, Section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of salary. Section 1575.204 establishes a public-school contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the school. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act which is 0.75 percent of each active employee's pay for fiscal year 2024. The following table shows contributions to the TRS-Care plan by type of contributor as reported for the district by TRS for the TRS measurement year. The district and member contributions reported are included in the calculation of the district's proportionate share of the Net TRS-Care liability for the measurement period.

Contribution Rates

	2024
Active Employee	0.65%
Non-Employer Contributing Entity (State)	1.25%
Employers	0.75%
Federal/Private Funding Remitted by Employers	1.25%
District's Measurement Year Employer Contributions	\$ 117,617
District's Measurement Year Member Contributions	37,577
District's Measurement Year NECE On-Behalf Contributions	147,373

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

**Actuarial Assumptions** — The actuarial valuation was performed as of August 31, 2023. Update procedures were used to roll forward the total OPEB liability to August 31, 2024. The actuarial valuation was determined using the following actuarial assumptions.

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The demographic assumptions were 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, 2023, TRS pension actuarial valuation that was rolled forward to August 31, 2024:

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

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED AUGUST 31, 2025

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS — CONTINUED**

**L. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS — CONTINUED**

**Actuarial Assumptions — 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 projection scale MP-2021.

**Additional Actuarial Methods and Assumptions:**

Valuation Date	August 31, 2023 rolled forward to August 31, 2024
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.87% as of August 31, 2024
Aging Factors	Based on the Society of Actuaries' 2013 Study "Health Care Costs - From Birth to Death".
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Salary Increases	2.95% to 8.95% including inflation
Ad Hoc Post-Employment Benefit Changes	None
From the 2024 TRS ACFR, Note 9, page 79.	

The initial medical trend rate was 6.75 percent for non-Medicare retirees. For Medicare retirees, trend rates are higher in the first two years due to anticipated growth but thereafter match those of non-Medicare retirees. The initial prescription drug trend rate was 7.25 percent for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25 percent over a period of 11 years.

**Discount Rate** — A single discount rate of 3.87 percent was used to measure the total OPEB liability. This was an decrease of 0.26 percent in the discount rate since the previous year. Because the investments are held in cash and there is no intentional objective to advance fund the benefits, the Single Discount Rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate is the Bond Buyers's "20-Bond GO index" as of August 31, 2024, using the Fixed Income Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

**Sensitivity of the Net OPEB Liability:**

**Discount Rate Sensitivity Analysis** — The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.87%) in measuring the net OPEB liability.



DENVER CITY INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2025

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS — CONTINUED**

**L. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS — CONTINUED**

**Changes in Actuarial Assumptions Since the Prior Actuarial Valuation — Continued**

- The tables used to model the impact of aging on the underlying claims were revised.

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

For the year ended August 31, 2025, Denver City Independent School District recognized OPEB expense of \$640,069 and revenue of \$640,069 for support provided by the State.

At August 31, 2025, Denver City Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 753,260	\$ 1,961,310
Changes in actuarial assumptions	503,001	1,282,331
Net difference between projected and actual investment earnings	3,769	11,006
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	373,110	869,848
Contributions paid to TRS subsequent to the measurement date	118,207	
Total	<u>\$ 1,751,347</u>	<u>\$ 4,124,495</u>

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

<u>Year ended August 31:</u>	OPEB Expense Amount
2026	\$ (689,486)
2027	(511,489)
2028	(522,124)
2029	(484,145)
2030	(246,356)
Thereafter	(41,525)

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED AUGUST 31, 2025

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS — CONTINUED**

**M. MEDICARE PART D – ON-BEHALF PAYMENTS**

The Medicare Prescription Drug Improvement and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Group Insurance Program to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. The subsidy payments received by TRS-Care on behalf of the District were \$81,562 and \$62,934 for the years ended August 31, 2025, and 2024, respectively.

**N. HEALTHCARE COVERAGE**

During the year ended August 31, 2025, the employees of the Denver City Independent School District were covered by a health insurance plan (the Plan) through the Teacher Retirement System of Texas (TRS-Active Care), an interlocal cooperative agreement. The District paid premiums of up to \$645 per month per employee to the plan, and employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to the Teacher Retirement System of Texas. The plan was authorized by Article 3.50-7 of the Texas School Employees Uniform Group Health Coverage of the Texas Insurance Code and was documented by contractual agreements. The latest financial statements for TRS-Active Care for the year ended December 31, 2024, are public records that are available and filed with the Texas State Board of Insurance, Austin, Texas.

**O. DEFINED CONTRIBUTION RETIREMENT PLAN**

The District contributes to tax-sheltered annuity plans (403(b) plans) for participating employees. A 403(b) plan is a defined contribution retirement plan for certain employees of public schools, employees of certain tax-exempt organizations, and certain ministers. The District’s matching and vesting schedules are shown below.

District Matching Formula Based on Contract or Base Salary		Vesting Schedule For District Match	
Employee	Employer	Years of Service	% Vested
1%	2%	1 Year	0%
2%	2%	2 Years	0%
3%	3%	3 Years	25%
4%	4%	4 Years	50%
5%	5%	5 Years	100%

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED AUGUST 31, 2025

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS — CONTINUED**

**P. WORKERS' COMPENSATION**

The District participates with several other school districts in the region to form South Plains School Workers' Compensation Program (SPSWCP), a public entity risk pool currently operating as a common risk management and insurance program for the school districts. The District pays an annual premium to SPSWCP for its workers' compensation insurance coverage. The agreement for the formation of the SPSWCP is that it is self-sustaining through member premiums and provides reinsurance for claims in excess of \$450,000 per occurrence. Also, should the claims exceed the aggregate attachment level of \$2,006,829; an additional \$1 million of coverage is available.<sup>4</sup>

**Q. GENERAL FUND FEDERAL REVENUE SOURCES**

The following federal revenues were recorded through the General Fund:

<u>Program or Source</u>	<u>Assistance Listing Number</u>	<u>Amount</u>
School Health and Related Services (SHARS)	N/A	\$ 63,689
Total		<u>\$ 63,689</u>

**R. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES**

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

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Special Revenue Funds</u>	<u>Total</u>
Current property taxes	\$ 12,614,462	\$ 5,899,300	\$ -	\$ 18,513,762
Delinquent property taxes	76,295	31,646		107,941
Penalties, interest, and other tax-related income	64,675	25,895		90,570
Investment income	1,827,336	151,733	10,329	1,989,398
Food sales			55,396	55,396
Extracurricular activities	119,217			119,217
Tuition and fees				-
Gifts and donations			11,721	11,721
Activity funds				-
Rent	6,591			6,591
Insurance Recovery	750,000			750,000
Other	383,572		234,096	617,668
Total	<u>\$ 15,842,148</u>	<u>\$ 6,108,574</u>	<u>\$ 311,542</u>	<u>\$ 22,262,264</u>

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2025

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS — CONTINUED**

**S. JOINT VENTURES**

**2024-2025 Perkins V: Strengthening Career and Technical Education for the 21<sup>st</sup> Century**

The Denver City Independent School District is the fiscal agent of a shared services arrangement for 2024-205 Perkins V: Strengthening Career and Technical Education for the 21<sup>st</sup> Century which is dedicated to increasing learner access to high-quality career and technical education programs of study. With a focus on systems alignment and program improvements, this grant has been critical to ensuring the program meets the ever-changing needs of learners and employers. In addition to the District, the other member is Seagraves Independent School District. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. These activities are disclosed in special revenue fund 331.

**Adult Basic Education (ABE)**

The Denver City Independent School District participates in a shared services arrangement for an adult basic education program that provides basic literacy and life skills for individuals who desire to improve their academic level, with the intent of obtaining a GED diploma, technical training, employment or citizenship. The program provides remediation based on an individual's academic needs. Region 17 Education Service Center is the fiscal agent manager and is responsible for all financial activities of the shared services arrangement. A detail of the District's expenditures is reported in Fund 199.

**T. COMMITMENTS AND CONTINGENCIES**

**Federal and State Funding**

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

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED AUGUST 31, 2025

**IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS — CONTINUED**

**T. COMMITMENTS AND CONTINGENCIES — CONTINUED**

**Other Commitments**

The District entered construction contracts for a roofing renovation of all of the District’s buildings. The commitment as of August 31, 2025, was as follows:

<u>Description</u>	<u>Project Authorization</u>	<u>Expended to Date</u>	<u>Commitment</u>	<u>Required Further Financing</u>
Roof Renovation Projects				
Parsons Commercial Roofing	\$ 9,116,762	\$ 2,108,401	\$ 7,008,361	\$ -
	<u>\$ 9,116,762</u>	<u>\$ 2,108,401</u>	<u>\$ 7,008,361</u>	<u>\$ -</u>

Local funds will be used to fulfill this commitment.

**Q. LITIGATION**

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

**R. SUBSEQUENT EVENTS**

The District has evaluated events occurring after August 31, 2025, and through January 22, 2026, the date on which financial statements were available to be issued, for additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Budgetary Comparison – General Fund**

**Proportionate Share of the Net Pension Liability  
Teacher Retirement System of Texas**

**Schedule of District Contributions for Pensions  
Teacher Retirement System of Texas**

**Proportionate Share of the Net Other Post-Employment Benefits (OPEB) Liability  
Teacher Retirement System of Texas**

**Schedule of District Contributions for Other Post-Employment Benefits (OPEB)  
Teacher Retirement System of Texas**

**Notes to Required Supplementary Information**

**DENVER CITY INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED AUGUST 31, 2025**

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	\$ 14,152,599	\$ 14,152,599	\$ 15,842,148	\$ 1,689,549
5800 State Program Revenues	4,140,209	4,140,209	5,345,634	1,205,425
5900 Federal Program Revenues	30,000	30,000	63,689	33,689
5020 Total Revenues	18,322,808	18,322,808	21,251,471	2,928,663
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	10,189,391	9,829,932	9,752,379	77,553
0012 Instructional Resources and Media Services	207,701	207,701	192,137	15,564
0013 Curriculum and Instructional Staff Development	67,881	70,751	38,642	32,109
0021 Instructional Leadership	498,913	499,038	486,848	12,190
0023 School Leadership	1,287,734	1,287,734	1,151,758	135,976
0031 Guidance, Counseling, and Evaluation Services	782,776	782,776	731,226	51,550
0032 Social Work Services	-	7,000	5,113	1,887
0033 Health Services	222,365	222,365	220,018	2,347
0034 Student (Pupil) Transportation	622,432	622,597	609,616	12,981
0035 Food Services	15,950	26,200	25,994	206
0036 Extracurricular Activities	1,379,618	1,466,618	1,337,567	129,051
0041 General Administration	1,366,044	1,366,294	1,301,333	64,961
0051 Facilities Maintenance and Operations	3,872,276	3,907,686	3,626,877	280,809
0052 Security and Monitoring Services	220,521	240,521	237,101	3,420
0053 Data Processing Services	584,196	635,896	473,333	162,563
0061 Community Services	25,000	26,000	25,617	383
Debt Service:				
0073 Bond Issuance Cost and Fees	-	12,000	4,410	7,590
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	2,002,981	2,002,981	-
Intergovernmental:				
0091 Contracted Instructional Services Between Schools	725,000	725,000	416,262	308,738
0099 Other Intergovernmental Charges	166,185	166,185	142,224	23,961
6030 Total Expenditures	22,233,983	24,105,275	22,781,436	1,323,839
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,911,175)	(5,782,467)	(1,529,965)	4,252,502
<b>OTHER FINANCING SOURCES (USES):</b>				
7913 Right-to-Use Lease and SBITA Proceeds	-	-	149,124	149,124
8911 Transfers Out (Use)	-	(300,000)	(148,430)	151,570
7080 Total Other Financing Sources (Uses)	-	(300,000)	694	300,694
1200 Net Change in Fund Balances	(3,911,175)	(6,082,467)	(1,529,271)	4,553,196
0100 Fund Balance - September 1 (Beginning)	-	39,476,782	39,476,782	-
3000 Fund Balance - August 31 (Ending)	\$ (3,911,175)	\$ 33,394,315	\$ 37,947,511	\$ 4,553,196

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED AUGUST 31, 2025

	FY 2025 Plan Year 2024	FY 2024 Plan Year 2023	FY 2023 Plan Year 2022
District's Proportion of the Net Pension Liability (Asset)	0.000090861%	0.000083241%	0.007978546%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 5,550,144	\$ 5,717,887	\$ 4,736,658
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	7,913,218	9,174,166	9,051,880
Total	<u>\$ 13,463,362</u>	<u>\$ 14,892,053</u>	<u>\$ 13,788,538</u>
District's Covered Payroll	\$ 11,412,693	\$ 12,074,184	\$ 11,605,089
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	48.63%	50.56%	40.82%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.51%	73.15%	75.62%

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, 2024 for year 2025, 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, and August 31, 2015 for year 2016.

<u>FY 2022</u> <u>Plan Year 2021</u>	<u>FY 2021</u> <u>Plan Year 2020</u>	<u>FY 2020</u> <u>Plan Year 2019</u>	<u>FY 2019</u> <u>Plan Year 2018</u>	<u>FY 2018</u> <u>Plan Year 2017</u>	<u>FY 2017</u> <u>Plan Year 2016</u>	<u>FY 2016</u> <u>Plan Year 2015</u>
0.008037199%	0.007729929%	0.007414088%	0.007513031%	0.008130062%	0.008787654%	0.0077626%
\$ 2,046,790	\$ 4,139,992	\$ 3,854,075	\$ 4,135,354	\$ 2,599,556	\$ 3,320,724	\$ 2,743,976
3,768,859	8,889,468	8,824,921	9,960,311	6,684,668	7,697,643	6,563,672
<u>\$ 5,815,649</u>	<u>\$ 13,029,460</u>	<u>\$ 12,678,996</u>	<u>\$ 14,095,665</u>	<u>\$ 9,284,224</u>	<u>\$ 11,018,367</u>	<u>\$ 9,307,648</u>
\$ 11,345,330	\$ 11,099,586	\$ 11,018,112	\$ 11,288,047	\$ 12,171,729	\$ 11,930,433	\$ 10,113,116
18.04%	37.30%	34.98%	36.63%	21.36%	27.83%	27.13%
88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED AUGUST 31, 2025

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Contractually Required Contribution	\$ 525,520	\$ 550,279	\$ 410,392
Contribution in Relation to the Contractually Required Contribution	525,520	550,279	410,392
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 11,412,693	\$ 12,074,184	\$ 11,309,703
Contributions as a Percentage of Covered Payroll	4.60%	11.47%	3.63%

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.

	2022	2021	2020	2019	2018	2017	2016
\$	383,996	\$ 340,774	\$ 318,976	\$ 274,730	\$ 258,240	\$ 266,455	\$ 279,204
	383,996	340,774	318,976	274,730	258,240	266,455	279,204
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$	11,605,089	\$ 11,345,330	\$ 11,099,586	\$ 11,018,112	\$ 11,288,047	\$ 12,171,729	\$ 11,930,433
	3.31%	3.00%	2.87%	2.49%	2.29%	2.19%	2.34%

**DENVER CITY INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**  
**TEACHER RETIREMENT SYSTEM OF TEXAS**  
**FOR THE YEAR ENDED AUGUST 31, 2025**

	<u>FY 2025</u> <u>Plan Year 2024</u>	<u>FY 2024</u> <u>Plan Year 2023</u>	<u>FY 2023</u> <u>Plan Year 2022</u>
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.000129485%	0.000133809%	0.012946757%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 3,930,055	\$ 2,962,309	\$ 3,099,972
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	4,924,305	3,574,478	3,781,479
Total	<u>\$ 8,854,360</u>	<u>\$ 6,536,787</u>	<u>\$ 6,881,451</u>
District's Covered Payroll	\$ 11,412,693	\$ 12,074,184	\$ 11,605,089
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	34.44%	24.53%	26.71%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	13.70%	11.52%	11.52%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. For example, the amounts for FY 2025 are for the measurement date of August 31, 2024, etc.

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.

<u>FY 2022</u> <u>Plan Year 2021</u>	<u>FY 2021</u> <u>Plan Year 2020</u>	<u>FY 2020</u> <u>Plan Year 2019</u>	<u>FY 2019</u> <u>Plan Year 2018</u>	<u>FY 2018</u> <u>Plan Year 2017</u>
0.012826872%	0.01340561%	0.14747581%	0.014093934%	0.014773771%
\$ 4,947,898	\$ 5,096,078	\$ 6,974,312	\$ 7,037,230	\$ 6,424,559
6,629,080	6,847,907	9,267,300	9,709,320	9,306,193
<u>\$ 11,576,978</u>	<u>\$ 11,943,985</u>	<u>\$ 16,241,612</u>	<u>\$ 16,746,550</u>	<u>\$ 15,730,752</u>
\$ 11,345,330	\$ 11,099,586	\$ 11,018,112	\$ 11,288,047	\$ 12,171,729
43.61%	45.91%	63.30%	62.34%	52.78%
6.18%	4.99%	2.66%	1.57%	0.91%

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)  
 TEACHER RETIREMENT SYSTEM OF TEXAS  
 FOR THE YEAR ENDED AUGUST 31, 2025

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Contractually Required Contribution	\$ 118,207	\$ 133,074	\$ 116,465
Contribution in Relation to the Contractually Required Contribution	118,207	133,074	116,465
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 11,412,693	\$ 12,074,184	\$ 11,309,703
Contributions as a Percentage of Covered Payroll	1.04%	1.10%	1.03%

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.

	2022	2021	2020	2019	2018
\$	109,877	\$ 99,810	\$ 101,902	\$ 89,152	\$ 91,877
	109,877	99,810	101,902	89,152	91,877
\$	-	\$ -	\$ -	\$ -	\$ -
\$	11,605,089	\$ 11,345,330	\$ 11,099,586	\$ 11,018,112	\$ 11,288,047
	0.95%	0.88%	0.92%	0.81%	0.81%

DENVER CITY INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2025

**A. Notes to Schedules for the TRS Pension**

**Changes of Benefit terms.**

The Texas 2023 Legislature passed Senate Bill 10 (SB 10), which provided a stipend payment to certain retirees and variable ad hoc cost-of-living adjustments (COLAs) to certain retirees in early fiscal year 2024. Due to its timing, the legislation and payments were not reflected in the August 31, 2023, actuarial valuation. Under the roll forward method, an adjustment was made to reflect the legislation in the rolled forward liabilities for the current measurement year, August 31, 2024. SB 10 and House joint Resolution 2 (HJR 2) of the 88th Regular Legislative Session appropriated payments of \$1,645 billion for one-time stipends and \$3,355 billion for COLAs. This appropriation is treated as a supplemental contribution and included in other additions. Since the Legislature appropriated funds for this one-time stipend and COLA, there was no impact on the Net Pension Liability of TRS.

**Changes of Assumptions.**

There were no changes in assumptions.

**B. Notes to Schedules for the TRS OPEB Plan**

**Changes in Benefits.**

There were no changes in benefits.

**Changes in Assumptions.**

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

- The single discount rate changed from 4.13 percent as of August 31, 2023, to 3.87 percent as of August 31, 2024, accompanied by revised demographic and economic assumptions based on the TRS experience study.
- The tables used to model the impact of aging on the underlying claims were revised.