

PRELIMINARY OFFICIAL STATEMENT
Dated August 5, 2025

NEW ISSUE – BOOK ENTRY ONLY

Enhanced/Unenhanced Ratings:
S&P: “AAA”/ “A”
PSF: “Guaranteed”

(See “APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM FOR THE 2025 BONDS” attached hereto and “OTHER PERTINENT INFORMATION – Municipal Bond Rating” herein)

In the opinion of Bond Counsel (defined below), assuming continuing compliance by the District (defined below) after the date of initial delivery of the Bonds (defined below) with certain covenants contained in the 2025 Bond Order (defined below) and subject to the matters set forth under “TAX MATTERS” herein, interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income of the owners thereof pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Bonds, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. See “TAX MATTERS” herein.



\$56,160,000*

IRAAAN-SHEFFIELD COLLEGIATE INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Pecos County)
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2025

Dated Date: August 15, 2025

Due: as shown on page -ii-

Interest to Accrue from Date of Delivery (defined below)

The Iraan-Sheffield Collegiate Independent School District (the “District” or “Issuer”) is issuing its \$56,160,000* Unlimited Tax School Building Bonds, Series 2025 (the “2025 Bonds”) and \$1,440,000* Unlimited Tax Refunding Bonds, Series 2025A (the “2025A Bonds”, and together with the 2025 Bonds, the “Bonds”) under this common Official Statement. The 2025 Bonds are being issued pursuant to the Constitution and general laws of the State of Texas (the “State”), particularly Sections 45.001 and 45.003(b)(1), as amended, Texas Education Code, an election held in the District on May 3, 2025 (the “Election”), and an order authorizing the issuance of the Bonds (the “2025 Bond Order”) to be adopted by the Board of Trustees (the “Board”) of the District on August 11, 2025. See “THE BONDS – Authority for Issuance” herein). The 2025 Bonds are payable as to principal and interest from the proceeds of an ad valorem tax levied annually, without legal limitation as to rate or amount, against all taxable property located within the District. An application has been made for the 2025 Bonds to be guaranteed under the Permanent School Fund Guarantee Program of the State of Texas (hereinafter defined) which guarantee will automatically become effective when the Attorney General of Texas approves the 2025 Bonds. (see “APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM FOR THE 2025 Bonds”).

Interest on the 2025 Bonds will accrue from the date the Bonds are delivered (the “Date of Delivery”) to the initial purchasers shown below (the “Underwriters”) and be payable on August 28, 2025 and thereafter on February 15 and August 15 of each year, commencing February 15, 2026, until maturity or prior redemption. The 2025 Bonds will be issued as fully registered obligations in principal denominations of \$5,000 or any integral multiple thereof within a maturity.

The initial Paying Agent/Registrar shall be BOKF, NA, Dallas, Texas (see “REGISTRATION, TRANSFER AND EXCHANGE – Paying Agent/Registrar” herein).

Proceeds from the sale of the 2025 Bonds will be used (i) for the purposes of designing, constructing, renovating, improving, upgrading, updating, acquiring, and equipping school facilities with priority to projects related to the elementary school, the high school, the cafeteria, transportation, including white fleet, and projects related to safety and security including fire alarms and fencing, (ii) for the purposes of designing, constructing, renovating, improving, upgrading, updating, acquiring, and equipping school facilities with priority to projects related to Career Technology Education, including the agricultural science facility, and safety and security upgrades to baseball and softball facilities, (iii) for the purposes of designing, constructing, renovating, improving, upgrading, updating, acquiring, and equipping athletic facilities with priority to projects related to safety and security to athletic facilities, resurfacing of the track, and replacement of turf, and (iv) to pay for the costs of issuing the 2025 Bonds. See “PLAN OF FINANCING – Purpose” and “– Sources and Uses of Funds” herein.

For Maturity Schedule, Principal Amounts, Maturity Amounts, Interest Rates, Initial Yields, CUSIP Numbers, and Redemption Provisions for the 2025 Bonds, see page -ii- herein

The 2025 Bonds are offered for delivery when, as and if issued and received by the Underwriters and are subject to the approving opinion of the Attorney General of the State of Texas and the opinion of Cantu Harden Montoya LLP, San Antonio, Texas, Bond Counsel (see “APPENDIX C – FORM OF BOND COUNSEL’S OPINION” hereto). Certain matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas. It is expected that the 2025 Bonds will be available for delivery through DTC about August 27, 2025.*

SAMCO CAPITAL

BOK FINANCIAL SECURITIES, INC.

FHN FINANCIAL CAPITAL MARKETS

* Preliminary, subject to change.

**STATED MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL YIELDS, CUSIP NUMBERS, AND
REDEMPTION PROVISIONS**

\$56,160,000*
IRAAN-SHEFFIELD COLLEGIATE INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Pecos County)
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2025

CUSIP No. Prefix 462650

\$ _____ Serial Bonds

Maturity Date	Principal	Interest Rate	Initial Yield⁽²⁾	CUSIP No. ⁽¹⁾
(2/15)	(\$)	(%)	(%)	Suffix
2026	970,000			
2027	820,000			
2028	775,000			
2029	740,000			
2030	705,000			
2031	1,000,000			
2032	1,390,000			
2033	1,220,000			
2034	1,255,000			
2035	1,425,000			
2036	1,485,000			
2037	1,435,000			
2038	1,510,000			
2039	1,585,000			
2040	1,665,000			
2041	1,755,000			
2042	1,840,000			
2043	1,935,000			
2044	2,035,000			
2045	2,140,000			

\$ _____ Term Bonds

\$ _____ % Term Bonds due February 15, 20__, Priced to Yield _____ %⁽²⁾ CUSIP No.⁽¹⁾ Suffix ____
\$ _____ % Term Bonds due February 15, 20__, Priced to Yield _____ %⁽²⁾ CUSIP No.⁽¹⁾ Suffix ____

(Interest on the Serial Bonds and Term Bonds to accrue from the Date of Delivery)

The District reserves the right to redeem the 2025 Bonds maturing on and after February 15, 20__, in whole or in part, in the principal amount of \$5,000 or any integral multiple thereof, on February 15, 20__ or any date thereafter, at the redemption price of par plus accrued interest to the date of redemption. If two or more serial bonds of consecutive maturities are combined into one or more "term bonds" (the "Term Bonds") by the Underwriters, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the 2025 Bond Order.

* Preliminary, subject to change.

⁽¹⁾ CUSIP numbers are included solely for the convenience of the owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services ("CGS") is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright(c) 2024 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CGS. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the Underwriters, the District, or the Financial Advisors is responsible for the selection or correctness of the CUSIP numbers set forth herein. CUSIP numbers for the Bonds are subject to change after the issuance as a result of various post-issuance events, including, but not limited to, a partial defeasance of the Bonds.

⁽²⁾ The initial yields at which Bonds are priced are established by and are the sole responsibility of the Underwriters and, subject to certain hold-the-offering-price restrictions of limited duration in the purchase agreement for the Bonds, may be changed by the Underwriters.

PRELIMINARY OFFICIAL STATEMENT
Dated August 5, 2025

NEW ISSUE – BOOK ENTRY ONLY

Ratings: S&P Underlying: “A”
Insured: “ ”

(See “BOND INSURANCE” and “OTHER PERTINENT INFORMATION – Municipal Bond Rating” herein and “APPENDIX E – SPECIMEN MUNICIPAL BOND INSURANCE POLICY” attached hereto)

In the opinion of Bond Counsel (defined below), assuming continuing compliance by the District (defined below) after the date of initial delivery of the Bonds (defined below) with certain covenants contained in the 2025A Bond Order (defined below) and subject to the matters set forth under “TAX MATTERS” herein, interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income of the owners thereof pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Bonds, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. See “TAX MATTERS” herein..



\$1,440,000*

IRAAN-SHEFFIELD COLLEGIATE INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Pecos County)
UNLIMITED TAX REFUNDING BONDS, SERIES 2025A

Dated Date: August 15, 2025

Due: as shown on page -iv-

Interest to Accrete from Date of Delivery (defined below)

The Iraan-Sheffield Collegiate Independent School District (the “District” or “Issuer”) is issuing its \$56,160,000* Unlimited Tax School Building Bonds, Series 2025 (the “2025 Bonds”) and \$1,440,000* Unlimited Tax Refunding Bonds, Series 2025A (the “2025A Bonds”, and together with the 2025 Bonds, the “Bonds”) under this common Official Statement. The 2025A Bonds are being issued pursuant to the Constitution and general laws of the State of Texas (the “State”), particularly Sections 45.001 and 45.003(b)(1), as amended, Texas Education Code, an election held in the District on May 3, 2025 (the “Election”), and an order authorizing the issuance of the Bonds (the “2025A Bond Order”, and, together with the 2025 Bond Order, the “Bond Orders”) to be adopted by the Board of Trustees (the “Board”) of the District on August 11, 2025. See “THE BONDS – Authority for Issuance” herein). The 2025A Bonds are payable as to principal and interest from the proceeds of an ad valorem tax levied annually, without legal limitation as to rate or amount, against all taxable property located within the District.

Interest on the 2025A Bonds will accrue from the date the Bonds are delivered (the “Date of Delivery”) to the initial purchasers shown below (the “Underwriters”) and be payable on August 28, 2025 and thereafter on February 15 and August 15 of each year, commencing February 15, 2026, until maturity or prior redemption. The 2025A Bonds will be issued as fully registered obligations in principal denominations of \$5,000 or any integral multiple thereof within a maturity.

The initial Paying Agent/Registrar shall be BOKF, NA, Dallas, Texas (see “REGISTRATION, TRANSFER AND EXCHANGE – Paying Agent/Registrar” herein).

Proceeds from the sale of the 2025A Bonds will be used (i) to refinance the principal, interest, and redemption premium on certain previously issued maintenance tax obligations of the district styled “Iraan-Sheffield Collegiate Independent School District Maintenance Tax Notes, Series 2024”, (ii) and to pay costs related to the issuance of the 2025A Bonds. See “PLAN OF FINANCING – Purpose” and “– Sources and Uses of Funds” herein.

The 2025A Bonds will not be guaranteed by the Permanent School Fund of the State of Texas. The District has submitted applications to municipal bond insurance companies to have the payment of the principal and interest on the 2025A Bonds insured by a municipal bond insurance policy. In the event the 2025A Bonds are qualified for municipal bond insurance, the District may elect to purchase, at its sole expense, municipal bond insurance to insure the 2025A Bonds (see “BOND INSURANCE” and “BOND INSURANCE RISK FACTORS” herein).

For Maturity Schedule, Principal Amounts, Maturity Amounts, Interest Rates, Initial Yields, CUSIP Numbers, and Redemption Provisions for the 2025A Bonds, see page -iv- herein

The 2025A Bonds are offered for delivery when, as and if issued and received by the Underwriters and are subject to the approving opinion of the Attorney General of the State of Texas and the opinion of Cantu Harden Montoya LLP, San Antonio, Texas, Bond Counsel (see “APPENDIX C – FORM OF BOND COUNSEL’S OPINION” hereto). Certain matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas. It is expected that the 2025A Bonds will be available for delivery through DTC about August 27, 2025.*

SAMCO CAPITAL

BOK FINANCIAL SECURITIES, INC.

FHN FINANCIAL CAPITAL MARKETS

* Preliminary, subject to change.

STATED MATURITIES, PRINCIPAL AMOUNTS, MATURITY AMOUNTS, INTEREST RATES, INITIAL YIELDS, CUSIP NUMBERS, AND REDEMPTION PROVISIONS

\$1,440,000*
IRAAN-SHEFFIELD COLLEGIATE INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Pecos County)
UNLIMITED TAX REFUNDING BONDS, SERIES 2025A

CUSIP No. Prefix 462650 ⁽¹⁾

Maturity Date	Principal	Interest Rate	Initial Yield⁽²⁾	CUSIP No. ⁽¹⁾
(2/15)	(\$)	(%)	(%)	Suffix
2026	130,000			
2027	135,000			
2028	145,000			
2029	150,000			
2030	160,000			
2031	165,000			
2032	175,000			
2033	185,000			
2034	195,000			

(Interest on the Serial Bonds and Term Bonds to accrue from the Date of Delivery)

The District reserves the right to redeem the 2025A Bonds maturing on and after February 15, 20__, in whole or in part, in the principal amount of \$5,000 or any integral multiple thereof, on February 15, 20__ or any date thereafter, at the redemption price of par plus accrued interest to the date of redemption. If two or more serial bonds of consecutive maturities are combined into one or more "term bonds" (the "Term Bonds") by the Underwriters, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the 2025A Bond Order.

* Preliminary, subject to change.

⁽¹⁾ CUSIP numbers are included solely for the convenience of the owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. 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 Underwriters, the District, or the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein.

⁽²⁾ The initial yields at which Bonds are priced are established by and are the sole responsibility of the Underwriters and, subject to certain hold-the-offering-price restrictions of limited duration in the purchase agreement for the Bonds, may be changed by the Underwriters.

IRAAN-SHEFFIELD COLLEGIATE INDEPENDENT SCHOOL DISTRICT
P.O. Box 486, 100 S. Farr Street
Iraan, Texas 79744

BOARD OF TRUSTEES

<u>Name</u>	<u>Position</u>	<u>Term Expiration</u>
Tory Cox	President	May 2026
Jodi Cravens	Vice President	May 2027
Ollie Schneemann	Secretary	May 2027
Jeffery McMahon	Trustee	May 2028
Cody Strube	Trustee	May 2026
Bobby Scalzo	Trustee	May 2028
Cecela Castaneda	Trustee	May 2028

ADMINISTRATION – FINANCE CONNECTED

<u>Name</u>	<u>Position</u>
Gary Laramore	Superintendent
Melissa Graham	Business Manager

CONSULTANTS AND ADVISORS

Auditors	Eckert & Company, LLP, San Angelo, Texas
Bond Counsel	Cantu Harden Montoya LLP, San Antonio, Texas
Municipal Advisor	Live Oak Public Finance, LLC, Austin, Texas

For Additional Information Contact:

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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 and in effect on the date of this Preliminary Official Statement ("Rule 15c2-12"), this document constitutes an "Official Statement" of the District with respect to the Bonds that has been "deemed final" by the District as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

No dealer, broker, salesman, or other person has been authorized by the District or the Underwriters to give any information or to make any representation with respect to the Bonds, 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 either of the foregoing.

This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale. The information set forth herein has been obtained from sources that 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 District or the Underwriters.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the information or opinions set forth herein after the date of this Official Statement. See "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM FOR THE 2025 Bonds – PSF Continuing Disclosure Undertaking" attached hereto and "CONTINUING DISCLOSURE" herein 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 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 Underwriter does not guarantee the accuracy or completeness of such information.

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

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

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

None of the District, the Municipal 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 described under the caption "BOOK-ENTRY-ONLY SYSTEM" herein or the affairs of TEA described in "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM FOR THE 2025 Bonds" attached hereto as such information has been provided by DTC and TEA, respectively.

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

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE BONDS OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

References to website 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 websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for any purpose.

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

OFFICIAL STATEMENT SUMMARY*

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

THE DISTRICT	The District is a political subdivision located in Pecos County, Texas. The District is approximately 863.77 square miles in area (see "INTRODUCTION – Description of the District").
AUTHORITY FOR ISSUANCE – 2025 BONDS	The 2025 Bonds are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Sections 45.001 and 45.003(b)(1), as amended, Texas Education Code, an election held in the District on May 3, 2025 (the "Election"), and an order authorizing the issuance of the Bonds (the "2025 Bond Order") to be adopted by the Board of Trustees (the "Board") of the District on August 11, 2025. The 2025 Bonds are payable as to principal and interest from the proceeds of an ad valorem tax levied annually, without legal limitation as to rate or amount, against all taxable property located within the District. (see "THE BONDS - Authority for Issuance").
AUTHORITY FOR ISSUANCE – 2025A BONDS	The 2025A Bonds are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Sections 45.001 and 45.003(b)(1), as amended, Texas Education Code, an election held in the District on May 3, 2025 (the "Election"), and an order authorizing the issuance of the Bonds (the "2025A Bond Order") to be adopted by the Board of Trustees (the "Board") of the District on August 11, 2025. The 2025A Bonds are payable as to principal and interest from the proceeds of an ad valorem tax levied annually, without legal limitation as to rate or amount, against all taxable property located within the District. (see "THE BONDS - Authority for Issuance").
THE 2025 BONDS	The 2025 Bonds are being issued in the principal amounts and mature on the dates set forth on page ii hereof. The 2025 Bonds bear interest from the Date of Delivery (identified below), at the rates per annum set forth on page ii hereof, which interest is payable on August 28, 2025 and thereafter each February 15 and August 15, commencing February 15, 2026, until maturity or prior redemption. See "THE BONDS—General Description" herein.
THE 2025A BONDS	The 2025A Bonds are being issued in the principal amounts and mature on the dates set forth on page ii hereof. The 2025A Bonds bear interest from the Date of Delivery (identified below), at the rates per annum set forth on page ii hereof, which interest is payable on August 28, 2025 and thereafter each February 15 and August 15, commencing February 15, 2026, until maturity or prior redemption. See "THE BONDS—General Description" herein.
DATED DATE	August 15, 2025.
REDEMPTION OF 2025 BONDS	The District reserves the option to redeem the 2025 Bonds maturing on and after February 15, 20__*, in whole or in part before their respective scheduled maturity dates, in the principal amount of \$5,000 or any integral multiple thereof, on February 15, 20__*, or on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption. If two or more serial bonds of consecutive maturities are combined into one or more "term bonds" (the "2025 Term Bonds") by the Underwriters, such 2025 Term Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the 2025 Bond Order. See "THE BONDS – Redemption Provisions of the Bonds" herein.
REDEMPTION OF 2025A BONDS	The District reserves the right to redeem the 2025A Bonds maturing on and after February 15, 20__*, in whole or in part before their respective scheduled maturity dates, in the principal amount of \$5,000 or any integral multiple thereof, on February 15, 20__*, or on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption. If two or more serial bonds of consecutive maturities are combined into one or more "term bonds" (the "2025A Term Bonds") by the Underwriters, such 2025A Term Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the 2025A Bond Order. See "THE BONDS – Redemption Provisions of the Bonds" herein.
SECURITY FOR THE BONDS...	The Bonds constitute direct obligations of the District payable from a continuing direct annual ad valorem tax levied against all taxable property located therein, without legal limitation as to rate or amount. Additionally, an application has been filed with the Texas Education Agency for the payment of the 2025 Bonds to be guaranteed by the corpus of the Permanent School Fund of the State (See "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM FOR THE 2025 Bonds"). The 2025A Bonds will not be guaranteed by the Permanent School Fund of the State. The District has submitted applications to municipal bond insurance companies to have the payment of the principal and interest on the 2025A Bonds insured by a municipal bond insurance policy. In the event the 2025A Bonds are qualified for municipal bond insurance, the District may elect to purchase, at its sole expense, municipal bond insurance to insure the 2025A Bonds. (see "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS" herein).

* Preliminary, subject to change.

TAX MATTERS	In the opinion of Cantu Harden Montoya LLP, San Antonio, Texas, under existing law, interest on the 2025 Bonds is excludable from gross income for federal income tax purposes, and the Bonds are not “private activity bonds.” See “TAX MATTERS” and “APPENDIX C – FORM OF BOND COUNSEL’S OPINION”. In the opinion of Cantu Harden Montoya LLP, San Antonio, Texas, interest on the 2025A Bonds is not excludable from gross income for federal income tax purposes under existing law. See “TAX MATTERS” and “APPENDIX C – FORM OF BOND COUNSEL’S OPINION”.
PERMANENT SCHOOL FUND GUARANTEE	The District has received conditional approval from the Texas Education Agency for the payment of principal of and interest on the 2025 Bonds to be guaranteed under the Permanent School Fund Guarantee Program, which guarantee will automatically become effective when the Attorney General of Texas approves the 2025 Bonds. See “APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM FOR THE 2025 Bonds” herein. The 2025A Bonds will not be guaranteed by the Permanent School Fund of the State.
BOND INSURANCE	An application has been made to bond insurance companies to have the payment of principal of and interest of on the 2025A Bonds insured by a municipal bond insurance policy. See “BOND INSURANCE” and “BOND INSURANCE RISK FACTORS” herein.
PAYING AGENT/REGISTRAR...	The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas.
MUNICIPAL BOND RATING.....	S&P Global Ratings, Inc. (“S&P”) has assigned an underlying, unenhanced rating of “A” to the Bonds. S&P has assigned a rating of “AAA” to the 2025 Bonds based upon the Permanent School Fund Guarantee. S&P generally rate all bond issues guaranteed by the Permanent School Fund of the State of Texas “AAA”. S&P is expected to assign the 2025A Bonds the insured rating of “___”. S&P is expected to assign such municipal bond rating to the 2025A Bonds on the understanding that the standard municipal bond insurance policy of ___ guaranteeing the payment of principal of and interest due with respect to the Bonds will be issued and delivered by ___ upon the issuance of the 2025A Bonds (see “OTHER PERTINENT INFORMATION – Municipal Bond Ratings, “BOND INSURANCE” and “BOND INSURANCE RISK FACTORS,” “APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM FOR THE 2025 Bonds” and “APPENDIX E – SPECIMEN MUNICIPAL BOND INSURANCE POLICY”).
USE OF PROCEEDS.....	Proceeds from the sale of the 2025 Bonds will be used (i) for the purposes of designing, constructing, renovating, improving, upgrading, updating, acquiring, and equipping school facilities with priority to projects related to the elementary school, the high school, the cafeteria, transportation, including white fleet, and projects related to safety and security including fire alarms and fencing, (ii) for the purposes of designing, constructing, renovating, improving, upgrading, updating, acquiring, and equipping school facilities with priority to projects related to Career Technology Education, including the agricultural science facility, and safety and security upgrades to baseball and softball facilities, (iii) for the purposes of designing, constructing, renovating, improving, upgrading, updating, acquiring, and equipping athletic facilities with priority to projects related to safety and security to athletic facilities, resurfacing of the track, and replacement of turf, and (iv) to pay for the costs of issuing the 2025 Bonds. (see “PLAN OF FINANCING - Purpose” and “—Sources and Uses of Funds”). Proceeds from the sale of the 2025A Bonds will be used (i) for the purpose of refinancing the principal, interest, and redemption premium on certain previously issued maintenance tax obligations of the district styled “Iraan-Sheffield Collegiate Independent School District Maintenance Tax Notes, Series 2024”, (ii) and to pay for the costs of issuing the 2025A Bonds (see “PLAN OF FINANCING - Purpose” and “—Sources and Uses of Funds”).
PAYMENT RECORD	The District has never defaulted on the payment of its bonded indebtedness.
DELIVERY	When issued, anticipated to occur on or about August 27, 2025.*
LEGALITY	The Bonds are subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by Cantu Harden Montoya LLP, San Antonio, Texas, Bond Counsel (see “APPENDIX C – FORM OF BOND COUNSEL’S OPINION” herein).

* Preliminary, subject to change.

PRELIMINARY OFFICIAL STATEMENT

Relating to

IRAAN-SHEFFIELD COLLEGIATE INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Pecos County, Texas)

\$56,160,000*
Unlimited Tax School Building Bonds
Series 2025

\$1,440,000*
Unlimited Tax Refunding Bonds,
Series 2025A

INTRODUCTORY STATEMENT

This Official Statement, which includes the Schedules and Appendices hereto, provides certain information regarding the issuance by the Iraan-Sheffield Collegiate Independent School District (the "District") of its \$56,160,000* Unlimited Tax School Building Bonds, Series 2025 (the "2025 Bonds") and its \$1,440,000* Unlimited Tax Refunding Bonds, Series 2025A (the "2025A Bonds", and together with the 2025 Bonds, the "Bonds"). The 2025 Bonds are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Sections 45.001 and 45.003(b)(1), as amended, Texas Education Code, an election held in the District on May 3, 2025 (the "Election"), and an order authorizing the issuance of the Bonds (the "2025 Bond Order") to be adopted by the Board of Trustees (the "Board") of the District on August 11, 2025. The 2025A Bonds are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Sections 45.001 and 45.003(b)(1), as amended, Texas Education Code, an election held in the District on May 3, 2025 (the "Election"), and an order authorizing the issuance of the Bonds (the "2025A Bond Order", and, together with the 2025 Bond Order, the "Bond Orders") to be adopted by the Board of Trustees (the "Board") of the District on August 11, 2025. See "THE BONDS – Authority for Issuance" herein).

All financial and other information presented in this Official Statement has been provided by the District from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial position or other affairs of the District. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or be repeated in the future (see "OTHER PERTINENT INFORMATION – Forward Looking Statements").

Included in this Official Statement are descriptions of the Bonds, the Bond Orders and certain other information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained by writing the Iraan-Sheffield Collegiate Independent School District, P.O. Box 486, 100 S. Farr Street, Iraan, TX 79744, Attention: Superintendent and, during the offering period from the District's Municipal Advisor, Live Oak Public Finance, LLC, 1515 W. Capital of Texas Hwy., Suite 206, Austin, Texas 78746, Attention: Christian Merritt, upon payment of reasonable copying, mailing and handling charges.

This Official Statement speaks only as to 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, 1900 Duke Street, Suite 600, Alexandria, Virginia 22314 and will be available through its Electronic Municipal Market Access ("EMMA") System. See "CONTINUING DISCLOSURE" for a description of the District's undertaking to provide certain information on a continuing basis.

Description of the District

The District is a political subdivision of the State of Texas located in Pecos County. The District is governed by a seven-member Board of Trustees (the "Board"). Board trustees 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. The District is approximately 863.77 square miles in area. The District serves an estimated population of 1,375.

PLAN OF FINANCING

Purpose

The 2025 Bonds are being issued (i) for the purposes of designing, constructing, renovating, improving, upgrading, updating, acquiring, and equipping school facilities with priority to projects related to the elementary school, the high school, the cafeteria, transportation, including white fleet, and projects related to safety and security including fire alarms and fencing, (ii) for the purposes of designing, constructing, renovating, improving, upgrading, updating, acquiring, and equipping school facilities with priority to projects related to Career Technology Education, including the agricultural science facility, and safety and security upgrades to baseball and softball facilities, (iii) for the purposes of designing, constructing, renovating, improving, upgrading, updating, acquiring,

* Preliminary, subject to change.

and equipping athletic facilities with priority to projects related to safety and security to athletic facilities, resurfacing of the track, and replacement of turf, and (iv) to pay for the costs of issuing the 2025 Bonds. (see “– Sources and Uses of Funds”).

The 2025A Bonds are being issued (i) for the purpose of refinancing the principal, interest, and redemption premium on certain previously issued maintenance tax obligations of the district styled “Iraan-Sheffield Collegiate Independent School District Maintenance Tax Notes, Series 2024”, (ii) and to pay for the costs of issuing the 2025A Bonds (see “PLAN OF FINANCING - Purpose” and “—Sources and Uses of Funds”).

Refunded Obligations

The principal and interest due on the maintenance tax obligations of the district styled “Iraan-Sheffield Collegiate Independent School District Maintenance Tax Notes, Series 2024” (the “Refunded Obligations”) are to be paid on the interest payment dates and redemption dates (shown in SCHEDULE I) of such Refunded Obligations from funds to be deposited pursuant to a certain escrow agreement (the “Escrow Agreement”) between the District and BOKF, NA, Dallas, Texas (the “Escrow Agent”). The 2025A Order provides that a cash contribution by the District, if any, plus funds from the proceeds of the sale of the 2025A Bonds received from the initial purchaser of the 2025A Bonds listed on the cover page hereof (the “Underwriters”), will be deposited with the Escrow Agent in an amount that, together with investment earnings thereon, will be sufficient to accomplish the discharge and final payment of the Refunded Obligations on their respective redemption dates. Such funds will be held by the Escrow Agent in a special escrow account (the “Escrow Fund”) and used to purchase some or all of the following types of obligations: (a) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States, (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 the District adopts or approves the proceedings authorizing the issuance of the 2025A Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent and/or (c) noncallable obligations of a state or an agency or a county, municipality or other political subdivision of a state that have been refunded and that, on the date the District adopts or approves the proceedings authorizing the issuance of the 2025A Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent (the “Escrowed Securities”). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Obligations. Contemporaneously with the issuance of the 2025A Bonds, the District will give irrevocable instructions to provide notice to the owners of the Refunded Obligations that the Refunded Obligations will be redeemed prior to their stated maturity on the call date reflected in SCHEDULE I on which date money held under the Escrow Agreement will be made available to redeem the Refunded Obligations.

Public Finance Partners LLC, Minneapolis, Minnesota will verify at the time of delivery of the 2025A Bonds to the Underwriters the mathematical accuracy of the schedules that demonstrate the Escrowed Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay the principal of and interest on the Refunded Obligations on their respective interest payment and redemption dates. Such maturing principal of and interest on the Escrowed Securities will not be available to pay the 2025A Bonds (see “OTHER PERTINENT INFORMATION – Verification of Mathematical Computations”).

By the deposit of the Escrowed Securities and cash with the Escrow Agent pursuant to the Escrow Agreement, the District will have effectuated the defeasance of the Refunded Obligations in accordance with law. In the opinion of Bond Counsel, in reliance upon the report of the Verification Agent, firm banking and financial arrangements will have been made for the discharge and final payment of the Refunded Obligations pursuant to the Escrow Agreement and, therefore, the Refunded Obligations will be deemed to be fully paid and no longer outstanding except for the purpose of being paid from the funds therefore provided in the Escrow Agreement (see “APPENDIX C – Form of Bond Counsel’s Opinion”).

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Sources and Uses of Funds

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

<u>Sources of Funds:</u>	2025 Bonds	2025A Bonds
Par Amount of Bonds	\$	
[Net] Reoffering Premium on the Bonds		
TOTAL SOURCES	\$	
<u>Uses of Funds:</u>		
Deposit to Construction Fund	\$	
Deposit to Escrow Fund		
Costs of Issuance		
Deposit to Interest and Sinking Fund		
Underwriters' Discount		
TOTAL USES	\$	

THE BONDS

Description of the Bonds

The Bonds will be dated August 15, 2025 (the "Dated Date") and mature on February 15 in each of the years and in the amounts shown on the inside cover page of this Official Statement. Interest on the Bonds will accrue from the date of initial delivery to the Underwriters (detailed below), will be payable on August 28, 2025 and thereafter on February 15 and August 15 of each year, commencing February 15, 2026, until stated maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds will be issued only in fully-registered form in denominations of \$5,000 of the principal amount or any integral multiple thereof within a stated maturity.

Interest on the Bonds is payable to the registered owners appearing on the bond registration books kept by the Paying Agent/Registrar relating to the Bonds (the "Bond Register") on the Record Date (detailed below) and such interest shall be paid by the Paying Agent/Registrar (i) by check sent by United States mail, first class, postage prepaid, to the address of the registered owner recorded in the Bond Register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. The principal of the Bonds is payable at stated maturity or prior redemption upon presentation and surrender to the Paying Agent/Registrar. The Bonds will be issued only in fully-registered form in any integral multiple of \$5,000 of the principal amount for any one maturity.

The definitive Bonds will initially be registered and delivered only to Cede & Co., as nominee of The Depository Trust Company ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 of the principal amount or any integral multiple thereof. No physical delivery of the Bonds will be made to the 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 (defined above) of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Authority for Issuance – 2025 Bonds

The 2025 Bonds are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Sections 45.001 and 45.003(b)(1), as amended, Texas Education Code, an election held in the District on May 3, 2025 (the "Election"), and the 2025 Bond Order.

Authority for Issuance – 2025A Bonds

The 2025A Bonds are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Sections 45.001 and 45.003(b)(1), as amended, Texas Education Code, an election held in the District on May 3, 2025 (the "Election"), and the 2025A Bond Order.

Use of Proceeds of the Bonds

The proceeds of the Bonds (which include certain premium allocations) will be applied to the authorization of voted bonds (described below) approved at the Election. Following the issuance of the Bonds, the District anticipates that it will have \$0* in voted but unissued bonds from the Election as further described below. See "TABLE 8 – Authorized but Unissued Unlimited Tax Bonds in APPENDIX A hereto.

A summary of the bonds authorized at said Election is as follows:

Purpose	Date Authorized	Amount Authorized	Amount Previously Issued	Amount This Issue	Amount Remaining
School Building	5/3/2025	\$43,770,000	\$0	\$43,770,000*	\$0**
Refunding Maintenance Tax Notes	5/3/2025	\$1,490,000	\$0	\$1,490,000*	\$0**
Ag & Baseball/Softball	5/3/2025	\$5,850,000	\$0	\$5,850,000*	\$0**
Football/Track	5/3/2025	\$7,450,000	\$0	\$7,450,000*	\$0**

* Includes any premium allocations that the District intends to apply against voted authorization. Preliminary, subject to change.

** Preliminary, subject to change.

Security and Source of Payment

The Bonds constitute direct obligations of the District payable from a continuing direct annual ad valorem tax levied against all taxable property located within the District, without legal limitation as to rate or amount (see "STATE AND LOCAL FUNDING OF SCHOOL DISTRICT IN TEXAS") (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM"). Additionally, the payment of the 2025 Bonds is expected to be guaranteed by the corpus of the Permanent School Fund of the State of Texas (see "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM FOR THE 2025 Bonds"). **The 2025A Bonds will not be guaranteed by the Permanent School Fund of the State.**

Permanent School Fund Guarantee

The District has submitted an application to the Texas Education Agency, in connection with the sale of the 2025 Bonds, and has received conditional approval from the Commissioner of Education for the payment of the 2025 Bonds to be guaranteed under the Permanent School Fund Guarantee Program pursuant to Chapter 45, Subchapter C of the Texas Education Code. Subject to certain conditions discussed in "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM FOR THE 2025 BONDS", the payment of the 2025 Bonds will be guaranteed by the corpus of the Permanent School Fund of the State of Texas. In the event of default, Beneficial Owners will receive all payments due on the 2025 Bonds from the corpus of the Permanent School Fund. **The 2025A Bonds will not be guaranteed by the Permanent School Fund of the State.**

Redemption Provisions of the Bonds

The District reserves the option to redeem the 2025 Bonds maturing on and after February 15, 20__*, in whole or in part before their respective scheduled maturity dates, in the principal amount of \$5,000 or any integral multiple thereof, on February 15, 20__*, or on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption. Additionally, if two or more 2025 Bonds of consecutive maturity are combined into one or more "term" Bonds (the "Term Bonds") by the Underwriters, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the 2025 Bond Order.

The District reserves the option to redeem the 2025A Bonds maturing on and after February 15, 20__*, in whole or in part before their respective scheduled maturity dates, in the principal amount of \$5,000 or any integral multiple thereof, on February 15, 20__*, or on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption. Additionally, if two or more 2025A Bonds of consecutive maturity are combined into one or more "term" Bonds (the "Term Bonds") by the Underwriters, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the 2025A Bond Order.

Selection of Bonds for Redemption

If fewer than all of the Bonds are to be redeemed, the District shall determine the amounts and maturities thereof to be so redeemed. If fewer 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 sum 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

* Preliminary, subject to change.

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

No fewer than thirty (30) days prior to a redemption date for the Bonds, the District shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to each registered owner of a Bond to be redeemed, in whole or in part, at the address of the holder appearing on the Bond Registrar at the close of business on the business day next preceding the date of mailing such notice.

ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER ONE OR MORE BONDHOLDERS FAILED TO RECEIVE 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 the Book-Entry-Only System is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Order, or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the Beneficial Owner, shall not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the District will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds from the Beneficial Owners. Any such selection of Bonds to be so redeemed will not be governed by the Order and will not be conducted by the District or the Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants, or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Bonds for redemption. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Defeasance

The Bond Order provides that the Bonds may be defeased, refunded or discharged in any manner permitted by applicable law. Defeasance will automatically cancel the Permanent School Fund Guarantee with respect to those defeased Bonds.

Amendments

The District may amend the Order without the consent of any beneficial owner in any manner not detrimental to the interests of the beneficial 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 holders of a majority in aggregate principal amount of the Bonds then outstanding, amend, add to, or rescind any of the provisions of the Order; except that, without the consent of all of the beneficial owners of the Bonds then outstanding, no such amendment, addition, or rescission shall (i) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof or the rate of interest thereof or in any other way modify the terms of payment of the principal or interest on the Bonds, (ii) give any preference to any Bond over any other Bond, or (iii) reduce the percentage of the aggregate principal amount of Bonds required to be held for beneficial owners for consent to any amendment, addition, or waiver, or rescission.

Default and Remedies

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Order, 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 and the District's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the registered owners upon any failure of the District to perform in accordance with the terms of the Order, or upon any other condition and, accordingly, all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. 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 FOR THE 2025 Bonds " attached hereto 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 Co-Bond Counsel will note that all opinions relative to the enforceability of the Order and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors and general principles of equity which permit the exercise of judicial discretion.

Payment Record

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

Legality

The Bonds are offered when, as, and if issued, and subject to the approval of legality by the Attorney General of the State of Texas and the opinion of the District's Bond Counsel, Cantu Harden Montoya LLP, San Antonio, Texas.

Delivery

When issued; anticipated to occur on or about August 27, 2025.

Future Issues

Following the issuance of the 2025 Bonds, the District anticipates that it will have \$0* in voted, unissued bonds from the Election. See "TABLE 8 – Authorized but Unissued Unlimited Tax Bonds" in APPENDIX A hereto.

Over the next twelve months, the District anticipates issuing, in one or more series of bonds, additional installments of bonds under the voted authorization from its Election and refunding bonds to refund certain maturities of its outstanding bonds to realize debt service savings. Additionally, the District may enter into other financial obligations, including maintenance tax notes payable from its collection of maintenance taxes, public property finance contractual obligations, delinquent tax notes, and leases for various purposes payable from State appropriations and surplus maintenance taxes.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. The Bond Orders provide for the District's 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 changes 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.

Record Date for Interest Payment

The record date ("Record Date") for determining the party to whom the interest on the Bonds is payable on any interest payment date means the close of business on the last business day of the preceding month; provided, however, with respect to the initial interest payment date of August 28, 2025, the Record Date shall be the Date of Delivery.

In the event of a non-payment of interest on a scheduled payment date, and for thirty (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. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be fifteen (15) days after the Special Record Date) shall be sent at least five (5) business days prior to the Special

* Preliminary, subject to change.

Record Date by United States mail, first class, postage prepaid, to the address of each registered owner of a Bond appearing on the Bond Register at the close of business on the last business day next preceding the date of mailing of such notice.

Registration, Transferability and Exchange

In the event the Book-Entry-Only System shall be discontinued, printed certificates will be issued to the registered owners of the Bonds and thereafter the Bonds may be transferred, registered, and assigned on the Bond Register only upon presentation and surrender of such printed certificates to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond(s) will be delivered by the Paying Agent/Registrar in lieu of the Bond(s) being transferred or exchanged at the designated office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. A new Bond(s) issued in an exchange or transfer of a Bond(s) will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Bond(s) to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. Any new Bond(s) registered and delivered in an exchange or transfer shall be in authorized denominations and for a like kind and aggregate principal amount and having the same maturity or maturities as the Bond(s) surrendered for exchange or transfer. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bond(s).

Limitation on Transfer of Bonds

Neither the District nor the Paying Agent/Registrar are required (i) to make any transfer or exchange during a period beginning at the opening of business forty-five (45) days before the day of the first mailing of a notice of redemption of Bonds and ending at the close of business on the day of such mailing, or (ii) to transfer or exchange any Bonds so selected for redemption when such redemption is scheduled to occur within forty-five (45) calendar days; provided however, that such limitation of transfer is not applicable to an exchange by the registered owner of the uncalled balance of a Bond.

BOOK-ENTRY-ONLY SYSTEM

The following describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC (defined below) 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 Municipal Advisor, and the Underwriters believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

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

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

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

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

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

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

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

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

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC [nor its nominee], the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. 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, physical bond certificates are required to be printed and delivered.

Use of Certain Terms in Other Sections of This Official Statement

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

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 physical Bond certificates will be issued to the respective holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Bond Orders and summarized under the caption "REGISTRATION, TRANSFER AND EXCHANGE" above.

PERMANENT SCHOOL FUND GUARANTEE PROGRAM FOR THE 2025 BONDS

Subject to satisfying certain conditions, the payment of the 2025 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 2025 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 THE 2025 Bonds" attached hereto for pertinent information regarding the Permanent School Fund Guarantee Program. The disclosure regarding the Permanent School Fund Guarantee Program in APPENDIX D attached hereto is incorporated herein and made a part hereof for all purposes.

BOND INSURANCE

The District has submitted applications to municipal bond insurance companies to have the payment of the principal of and interest on the 2025A Bonds insured by a municipal bond insurance policy. In the event the 2025A Bonds are qualified for municipal bond insurance, and the District desires to purchase such insurance, the cost will be paid by the District. Any fees to be paid to the rating agencies as a result of said insurance will be paid by the District. It will be the responsibility of the District to disclose the existence of insurance, its terms, and the effect thereof with respect to the reoffering of the 2025A Bonds. If the District obtains a commitment from a bond insurance company (the "Insurer") to provide a municipal bond insurance policy relating to the 2025A Bonds (the "Policy"), the final Official Statement shall disclose certain information relating to the Insurer and the Policy.

BOND INSURANCE RISK FACTORS

General

In the event of default of the scheduled payment of principal of or interest on the 2025A Bonds when all or a portion thereof becomes due, any owner of the 2025A Bonds shall have a claim under the Policy for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the 2025A Bonds by the District which is recovered by the District from the 2025A Bond owner as a voidable preference under applicable bankruptcy law is covered by the Policy; however, such payments will be made by the Insurer at such time and in such amounts as would have been due absent such prepayment by the District (unless the Insurer chooses to pay such amounts at an earlier date).

Payment of principal of and interest on the 2025A Bonds is not subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist. The Insurer may reserve the right to direct the pursuit of available remedies, and, in addition, may reserve the right to consent to any remedies available to and requested by the owners.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the 2025A Bonds are payable solely from the sources of funds pledged to the payment of the 2025A Bonds. In the event the Insurer becomes obligated to make payments with respect to the 2025A Bonds, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the 2025A Bonds.

If a Policy is acquired, the long-term ratings on the 2025A Bonds will be dependent in part on the financial strength of the Insurer and its claims-paying ability. The Insurer's financial strength and claims-paying ability are predicated upon a number of factors which could change over time. No assurance can be given that the long-term ratings of the Insurer and of the ratings on the 2025A Bonds, whether or not subject to a Policy, will not be subject to downgrade and such event could adversely affect the market price or the marketability (liquidity) for the 2025A Bonds.

The obligations of the Insurer under a Policy are general obligations of the Insurer and in an event of default by the Insurer, the remedies available may be limited by applicable bankruptcy law. None of the District, the Financial Advisor or the Underwriters has made independent investigation into the claims-paying ability of any potential Insurer and no assurance or representation regarding the financial strength or projected financial strength of any potential Insurer is given.

Claims-Paying Ability and Financial Strength of Municipal Bond Insurers

Moody's Investor Services, Inc., S&P Global Ratings, and Fitch Ratings (collectively, the "Rating Agencies") have downgraded and/or placed on negative watch the claims-paying ability and financial strength of most providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers is possible. In addition, recent events in the credit markets have had substantial negative effects on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims-paying ability of such bond insurers, including any bond insurer of the 2025A Bonds. Thus, when making an investment decision, potential investors should carefully consider the ability of any such bond insurer to pay principal and interest on the 2025A Bonds and the claims paying ability of any such bond insurer, particularly over the life of the 2025A Bonds.

AD VALOREM TAX PROCEDURES

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

Valuation of Taxable Property

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

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

Unless extended by the Legislature, through December 31, 2026 an appraisal district is prohibited from increasing the appraised value of real property during the 2024 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5 million dollars (the "Maximum Property Value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. 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. After such time, the value limitation provisions for non-homestead properties will expire unless extended by the State legislature. For the 2025 tax year, the Maximum Property Value was increased to \$5,160,000.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified as both agricultural and open-space land.

The appraisal values set by the Appraisal District is 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" herein.

State Mandated Homestead Exemptions

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

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

Local Option Homestead Exemptions

The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all residence homesteads (but not less than \$5,000); and (2) an additional exemption of at least \$3,000 of the appraised value of the residence 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 residence 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 reducing or repealing a general 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 residence 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 residence homestead qualified for such exemption. This freeze is transferable to a different residence homestead if a qualifying taxpayer moves and, under certain circumstances, is also transferable to the surviving spouse of a person sixty-five (65) years of age or older, but not the disabled.

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

Personal Property

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

Freeport and Goods-In-Transit Exemptions

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

Certain goods, that are acquired in or imported into the State to be forwarded to another location within or outside of the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or outside of 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 retail manufactured housing inventory, or a dealer's motor vehicle, vessel and outboard motor, or heavy equipment inventory.

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

Other Exempt Property

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

Temporary Exemption for Qualified Property Damaged by a Disaster

The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the Governor to be a disaster area following a disaster and is at least 15 percent 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. 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. Under Section 11.35, Texas Tax Code, property is only damaged if it has sustained physical damage. For more information on the exemption, reference is made to Section 11.35, Texas 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" herein.

Tax Limitation Agreements

The Texas Economic Development Act (former Chapter 313, Texas Tax Code, as amended ("Chapter 313")) previously allowed school districts to grant limitations on appraised property values to certain entities to encourage economic development within the school district. Generally, for a ten-year period during a tax limitation agreement, a school district may only levy and collect M&O taxes on the agreed-to limited appraised property value. For the purposes of calculating its Tier One and Tier Two entitlements, the portion of a school district's property that was not fully taxable was excluded from the school district's taxable property values. Therefore, a school district was not subject to a reduction in Tier One or Tier Two State funds as a result of lost M&O tax revenues due to entering into a tax limitation agreement. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - State Funding for School Districts" herein. 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 services taxes securing bonds cannot be abated under Chapter 403. Eligible projects must involve manufacturing, dispatchable power generation facilities, technology research/development facilities, or critical infrastructure projects and projects must create and maintain jobs, as well as meet certain minimum investment requirements. The District is still in the process of reviewing Chapter 403 and cannot make any representations as to what impact, if any, Chapter 403 will have on its finances or operations.

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

District and Taxpayer Remedies

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

Owners of certain property (being (i) commercial real and personal property, (ii) real and personal property of utilities, (iii) industrial and manufacturing real and personal property, and (iv) multifamily residential real property) with a taxable value in excess of the current year "minimum eligibility amount," as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at \$61,349,201 for the 2025 tax year and is adjusted annually by the State Comptroller to reflect the inflation rate.

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

Levy and Collection of Taxes

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

District's Rights in the Event of Tax Delinquencies

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

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

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

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

THE TAX CODE AS APPLIED TO THE DISTRICT

The Appraisal District has the responsibility for appraising the majority of the property in the District as well as other taxing units in Pecos County. The Appraisal District is governed by a board of five directors appointed by voters of the governing bodies of various Pecos County political subdivisions. The District's taxes are collected by the Pecos County Tax Assessor/Collector. The Appraisal District does not tax personal property not used in the production of income, such as personal automobiles.

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

The District's taxes are collected by the Pecos County Tax Assessor/Collector's Office.

The Tax Assessor/Collector does not allow split payments of taxes.

The Tax Assessor/Collector does not give discounts for early payment of taxes.

The District does not participate in a tax increment-financing zone.

The District does not tax non-business personal property.

The District does tax "goods in transit" without exemption.

The District does not grant the additional local option exemption of up to 10% of the market value of residence homesteads; minimum exemption of \$5,000.

The District grants a State Mandated homestead exemption of \$100,000 for taxpayers, and an additional exemption of \$10,000 for taxpayers who are at least 65 years of age or disabled.

The District has entered into an Economic Development Agreement authorized under Chapter 313, Texas Tax Code, as amended (a "Chapter 313 Agreement"), limiting the taxable appraised value for maintenance and operation purposes to \$25,000,000, beginning tax year 2017 and extending through tax year 2026, with BHE Pearl Solar, LLC & BHES Alamo 6, LLC f/k/a West Texas Solar 1 LLC. The District has also entered into a Chapter 313 Agreement limiting the taxable appraised value for maintenance and operation purposes to \$30,000,000, beginning tax year 2017 and extending through tax year 2026, with East Pecos Solar, LLC. The District has also entered into a Chapter 313 Agreement limiting the taxable appraised value for maintenance and operation purposes to \$30,000,000, beginning tax year 2019 and extending through tax year 2028, with Midway Solar LLC. The District has also entered into a Chapter 313 Agreement limiting the taxable appraised value for maintenance and operation purposes to \$30,000,000, beginning tax year 2021 and extending through tax year 2030, with RE Maplewood, LLC. The taxable appraised value for interest and sinking fund purposes is not subject to such limits.

Charges for penalties and interest on the unpaid balance of delinquent taxes are as follows:

<u>Month</u>	<u>Cumulative Penalty</u>	<u>Cumulative Interest</u>	<u>Total</u>
February	6%	1%	7%
March	7%	2%	9%
April	8%	3%	11%
May	9%	4%	13%
June	10%	5%	15%
July	12%	6%	38%

The Tax Assessor/Collector does collect an additional 20% penalty to defray attorney costs in the collection of delinquent taxes over and above the penalty automatically assessed under the Tax Code after July 1. Interest continues to accrue after July 1 at the rate of 1% per month until paid.

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 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” herein.

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

Overview

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

Local funding 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 Sessions

The regular session of the 89th Texas Legislature (the “Legislature”) commenced on January 14, 2025 and concluded on June 2, 2025 (the “89th Regular Session”). The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor 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 has called a special session to begin on July 21, 2025. The initial agenda, which may be supplemented at any time, for the special session includes the following items: (i) flood warning systems, (ii) flood emergency communications, (iii) relief funding for hill country floods, (iv) natural disaster preparation and recovery, (v) eliminating the STAAR test, (vi) cutting property taxes, (vii) protecting children from THC, (viii) regulating hemp-derived products, (ix) protecting unborn children, (x) banning taxpayer-funded lobbying, (xi) protecting human trafficking victims, (xii) police personnel records, (xiii) protecting women’s spaces, (xiv) attorney general election powers, (xv) redistricting, (xvi) title theft and deed fraud, (xvii) water project incentives,

and (xvii) the state judicial department. The Governor has also identified several bills that were vetoed or filed without signature that will be placed on the upcoming special session agenda for further consideration. Additional special sessions may be called by the Texas Governor.

During the 89th Regular Session, the Legislature considered a general appropriations act and legislation affecting the Finance System and ad valorem taxation procedures and exemptions, and investments, among other legislation affecting school districts and the administrative agencies that oversee school districts. Subject to voter approval at a Statewide election to be held on November 4, 2025, legislation passed by both houses of the Legislature would increase: (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 would authorize roughly \$8.5 billion in funding for public schools and would provide districts with a \$55 per-student increase to their base funding beginning September 1, 2025, as well as provide districts with additional funding for teacher and staff salaries, educator preparation, special education, safety requirements and early childhood learning. Finally, legislation passed by the Legislature and signed into law by the Governor will create an education savings account program (commonly referred to as vouchers) for students that attend private schools or home school. The legislation becomes effective September 1, 2025, when the state fiscal biennium begins for purposes of this program, and the amount spent for purposes of the program for the 2025-2027 biennium may not exceed \$1 billion. The legislation applies beginning with the 2026-2027 school year. Beginning on September 1, 2027, the legislation requires that the amount appropriated for purposes of the program for a state fiscal biennium must be established by the legislature by appropriation for that 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 future session of the Legislature or the potential impact of such legislation at this time, but it intends to monitor applicable legislation related thereto.

Local Funding for School Districts

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

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

Maximum Compressed Tax Rate. The Maximum Compressed Tax Rate (the "MCR") is the tax rate per \$100 of valuation of taxable property at which a school district must levy its Tier One Tax Rate to receive the full amount of the Tier One funding to which the school district is entitled. The MCR is equal to the lesser of two alternative calculations: (1) the school district's current year SCP multiplied by \$1.00; or (2) a percentage determined by formula if the school district experienced a year-over-year increase in property value of at least 2.5% (if the increase in property value is less than 2.5%, then 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 maximum 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. Subject to voter approval at a Statewide election to be held on November 4, 2025, the residential homestead exemption under Section 1-b(c), Article VIII, Texas Constitution would increase (1) the State mandated general homestead exemption from \$100,000 to \$140,000, and (2) the additional exemption on the residence homesteads of those at least sixty-five (65) years of age or disabled

from \$10,000 to \$60,000. If adopted, the proposed constitutional amendment takes effect for the tax year beginning January 1, 2025.

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

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

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

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

State Funding for School Districts

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

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

The Finance System also provides an Existing Debt Allotment ("EDA") to subsidize debt service on eligible outstanding school district bonds, an Instructional Facilities Allotment ("IFA") to subsidize debt service on newly issued bonds, and a New Instructional Facilities Allotment ("NIFA") to subsidize operational expenses associated with the opening of a new instructional facility. IFA primarily addresses the debt service needs of property-poor school districts. For the 2026-2027 State fiscal biennium, the Legislature appropriated funds in the amount of \$1,072,511,740 for the EDA, IFA, and NIFA.

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

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

The Basic Allotment for 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), and (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 compensation allotment to increase teacher retention in disadvantaged or rural school districts. A school district's total Tier One funding divided by the district's Basic Allotment, is a school district's measure of students in "Weighted Average Daily Attendance" ("WADA"), which serves to calculate Tier Two funding.

The fast growth allotment 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 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 the program first began in 1997. New awards of IFA are only available if appropriated funds are allocated for such purpose by the Legislature. To receive an IFA award, in years where new IFA awards are available, a school district must apply to the Education 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 Education 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 per cent of local tax effort applicable to the bonds may not be reduced below the level provided for the year in which the bonds were issued. For the 2026-2027 State fiscal biennium, the Legislature did not appropriate any funds for new IFA awards; however, awards previously granted in years the 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 Legislature). In general, a school district's bonds are eligible for EDA assistance if (i) the school district made payments on the bonds during the final fiscal year of the preceding State fiscal biennium, or (ii) the school district levied taxes to pay the principal of and interest on the bonds for that fiscal year. Each biennium, access to EDA funding is determined by the debt service taxes collected in the final year of the preceding biennium. A school district may not receive EDA funding for the principal and interest on a series of otherwise eligible bonds for which the school district receives IFA funding.

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

A school district may also qualify for a NIFA allotment, which provides assistance to school districts for operational expenses associated with opening new instructional facilities or a renovated portion of an instructional facility to be used for the first time to provide high-cost and undersubscribed career and technology education programs, as determined by the Commissioner. In the

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

Tax Rate and Funding Equity. The Education 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 Education Commissioner may also adjust a school district's ADA as it relates to State funding where disaster, flood, extreme weather or other calamity has a significant effect on a school district's attendance.

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

Local Revenue Level in Excess of Entitlement

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

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

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

Furthermore, a school district may not adopt a tax rate until its effective local revenue level is at or below the level that would produce its guaranteed entitlement under the Foundation School Program. If a school district fails to exercise a permitted option, the Education 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 Education 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 2024-2025 fiscal year, the District was designated as an "excess local revenue" Chapter 49 school district by TEA. Accordingly, the District has entered into a wealth equalization agreement with the Commissioner for the purchase of attendance credits for the 2024-25 school year to equalize its wealth level as required by State law.

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

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

TAX RATE LIMITATIONS

M&O Tax Rate Limitations

A school district is authorized to levy M&O taxes subject to approval of a proposition submitted to district voters. The maximum M&O tax rate that may be levied by a district cannot exceed the voted maximum rate or the maximum rate described in the succeeding paragraphs. The District is authorized to levy a M&O tax rate pursuant to the approval of the voters of the District at an election held on April 6, 1963, under Article 2784e1, Texas Revised Statutes Annotated, as amended "Article 2784e-1").

The maximum M&O tax rate per \$100 of taxable assessed 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 district and the State and is subject to recalculation annually. For any year, the highest possible MCR for a school district is \$0.93. See "TAX RATE LIMITATIONS – Public Hearing and Voter-Approval Tax Rate" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Funding for School Districts" herein.

For the State fiscal year ending in 2025 (the 2024-2025 school year), the State Compression Percentage was set at \$0.6855 and the MCR for the District is \$0.6192 per \$100 taxable value. For a detailed discussion of State funding for school districts, see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts" herein.

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

I&S Tax Rate Limitations

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

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

for bonds subject to the test, then for subsequent bond issues, the Texas Attorney General must find that the school district has the projected ability to pay principal and interest on the proposed bonds and all previously issued bonds subject to the 50-cent Test from a tax rate of \$0.45 per \$100 of valuation. Once the prospective ability to pay such tax has been shown and the bonds are issued, a school district may levy an unlimited tax to pay debt service. The 2025 Bonds are issued as "new money bonds" and are subject to the \$0.50 threshold tax rate test. Refunding bonds issued pursuant to Chapter 1207, Texas Government Code ("Chapter 1207"), 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 2025A Bonds are issued as refunding bonds pursuant to the Election and are, therefore, not subject to the 50-cent Test; however, taxes levied to pay debt service on the 2025 Bonds are included in the calculation of the 50-cent Test as applied to subsequent issues of "new debt". The District has not utilized projected values or State assistance to satisfy the \$0.50 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 Sections 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 of Public Accounts.

DEBT LIMITATIONS

Under State law, there is no explicit bonded indebtedness limitation, although the tax rate limits described above under "TAX RATE LIMITATIONS" effectively impose a limit on the incurrence of debt. Such tax rate limits require school districts to demonstrate the ability to pay "new debt" from a tax rate of \$0.50. In demonstrating compliance with the requirement, a district may take into account State equalization payments and, if compliance with such requirement is contingent on receiving state assistance, a district may not adopt a tax rate for a year for purposes of paying the principal of and interest on the bonds unless the district credits to the interest and sinking fund for the bonds the amount of State assistance received or to be received in that year. The State Attorney General reviews a district's calculations showing compliance with such test as a condition to the legal approval of the debt. As stated above, the Bonds are issued as new debt and subject to this limitation.

EMPLOYEE BENEFITS, RETIREMENT PLAN AND OTHER POST-EMPLOYMENT BENEFITS

The District contributes to the Teacher Retirement System of Texas (the "System"), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception: all risks and costs are not shared by the District but are the liability of the State of Texas. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates primarily under the provisions of the Texas Constitution and Texas Government Code, Title 8, Subtitle C. See "Notes to the Financial Statements – IV. OTHER INFORMATION – A. Defined Benefit Pension Plan" as set out in the audited financial statements of the District for the year ended August 31, 2024, as set forth in APPENDIX B attached hereto.

The District contributes to the Texas Public School Retired Employees Group Insurance Program ("TRS-Care"), a cost-sharing multiple-employer defined benefit post-employment health care plan administered by the TRS. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under TRS. See "Notes to the Financial Statements – IV. OTHER INFORMATION – B. Defined Other Postemployment Benefit Plans" in the audited financial statements of the District for the year ended August 31, 2024, as set forth in APPENDIX B attached hereto.

In June 2012, the Government Accounting Standards Board ("GASB") issued Statement No. 68 *Accounting and Financial Reporting for Pensions*, which was later amended by GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*, each in an effort to improve accounting and financial reporting by state and local governments related to pensions. GASB Statement No. 68 requires reporting entities, such as the District, to recognize their proportionate share of the net pension liability and operating statement activity related to changes in collective pension liability. Reporting entities, such as the District, that contribute to the TRS pension plan will report a liability on the face of their government-wide financial statements. See "CHANGE IN NET ASSETS" in APPENDIX B attached hereto. GASB Statement No. 68 applies only to pension benefits and does not apply to OPEB or TRS-Care related liabilities. At the conclusion of the 2023-2024 fiscal year, the District had a net pension liability of \$1,641,376.

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

INVESTMENT POLICIES

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

Legal Investments

Available District funds are invested as authorized by State law and in accordance with investment policies approved by the Board.

Under State law, the District is authorized to make investments meeting the requirements of the Public Funds Investment Act (Chapter 2256, Texas Government Code (the "PFIA")), which currently include (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the

Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the District selects from a list the governing body or designated investment committee of the District adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in the State that the District selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the District's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the District appoints as the District's custodian of the banking deposits issued for the District's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission (the "SEC") and operating under SEC Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of the PFIA that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for District deposits, or (ii) certificates of deposits where (a) the funds are invested by the District through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the District as required by law, or (B) a depository institution that has its main office or branch office in the State that is selected by the District, (b) the broker or the depository institution selected by the District arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the District, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the District appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the District with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described in clause (1) above, clause (12) below, require the securities being purchased by the District or cash held by the District to be pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with the remaining term of 270 days or fewer, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or fewer that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (13) no-load money market mutual funds registered with and regulated by the United States SEC that provide the District with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with federal SEC Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and (14) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and either (a) a duration of one year or more and invest exclusively in obligations described in under this heading, or (b) a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract and are pledged to the District and deposited with the District or a third party selected and approved by the District.

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

Political subdivisions such as the District are authorized to implement securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the

program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less.

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

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

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

LEGAL MATTERS

The delivery of the Bonds is subject to the approval of the Attorney General of Texas, who will deliver its opinion, to the effect that the Bonds are valid and legally binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property in the District, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, which will deliver their opinion to the effect that the Bonds are valid and legally binding obligations of the District and, subject to the qualifications set forth herein under "TAX MATTERS," the interest on the 2025 Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under existing statutes, published rulings, regulations, and court decisions. The form of Bond Counsel's opinion are attached hereto as APPENDIX C. The legal fee to be paid to Bond Counsel is contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas. The legal fee to be paid to counsel to the Underwriters for services rendered in connection with the issuance of the Bonds is contingent upon the sale of the delivery of the Bonds.

Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firms have not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in their capacity as Bond Counsel, such firms have reviewed the information under the captions "PLAN OF FINANCING – Refunded Obligations," "THE BONDS" (exclusive of the subcaptions "Permanent School Fund Guarantee," "Default and Remedies," "Payment Record," and "Future Issues," as to which no opinion is expressed), "STATE AND LOCAL FUNDING OF

SCHOOL DISTRICTS IN TEXAS,” “CURRENT PUBLIC SCHOOL FINANCE SYSTEM,” “TAX RATE LIMITATIONS,” “LEGAL MATTERS” (excluding the information under the subcaption “Litigation,” as to which no opinion is expressed), “TAX MATTERS,” “CONTINUING DISCLOSURE” (excluding the information under the subcaption “Compliance with Prior Agreements,” as to which no opinion is expressed), “LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS,” and “OTHER PERTINENT INFORMATION – Registration and Qualification of Bonds for Sale” in the Official Statement and such firms are of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions is an accurate description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Bond Orders.

Though they represent the Municipal Advisor and the Underwriters from time to time in matters unrelated to the Bonds, Bond Counsel have been engaged by and only represent the District with respect to the issuance of the Bonds. The legal opinions to be delivered concurrently with the delivery of the Bonds expresses the professional judgment of the attorneys rendering the opinions as to the legal issues expressly addressed therein. In rendering legal opinions, the attorneys do 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 such opinions guarantee the outcome of any legal dispute that may arise from the transaction.

Litigation

At the time of the initial delivery of the Bonds, one or more officials of the District will provide the Underwriters with a certificate to the effect that, to the best of their knowledge, except as disclosed in this Official Statement, no litigation of any nature is now pending or threatened, either in the state or federal courts, contesting or attacking the existence of the District or the Bonds or restraining or enjoining the issuance, execution or delivery of the Bonds or the collection or pledge of the funds from which the Bonds are payable, or in any manner questioning the authority or proceedings for the issuance, execution or delivery of the Bonds, or affecting the titles of the present officials of the District, and that no proceedings or authority for the issuance, execution or delivery of the Bonds have been repealed, rescinded or revoked.

TAX MATTERS

The Bonds

The delivery of the Bonds is subject to the opinion of Cantu Harden Montoya LLP, San Antonio, Texas, as Bond Counsel to the effect that interest on the Bonds for federal income tax purposes (1) is excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the “Code”), of the owners thereof pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change. Form of Bond Counsel’s legal opinions appear in APPENDIX C hereto.

In rendering the foregoing opinions, Cantu Harden Montoya LLP, San Antonio, Texas as Bond Counsel will rely upon representations and certifications of the District made in certificates pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance by the District with the provisions of the 2025 Bond Order subsequent to the issuance of the Bonds. The Bond Order contain covenants by the District with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, the periodic calculation and payment to the United States Department of the Treasury (the “Treasury”) of arbitrage “profits” from the investment of the proceeds, and the reporting of certain information to the Treasury. Failure to comply with any of these covenants may cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

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

Tax Changes

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect

the value and marketability of the Bonds. It is uncertain whether this legislation will be enacted and, if so, whether it will be enacted in its current form. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Ancillary Tax Consequences

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

Tax Accounting Treatment of Discount Bonds

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

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

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

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

Tax Accounting Treatment of Premium Bonds

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

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

State, Local and Foreign Taxes

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

Information Reporting and Backup Withholding

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

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

CONTINUING DISCLOSURE

The District in the Bond Order has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board ("MSRB"). This information will be available to the public free of charge from the MSRB via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org, as further described below under "Availability of Information from MSRB". This information will be available to the public free of charge from the MSRB via the EMMA system at www.emma.msrb.org. See "APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM FOR THE 2025 Bonds" for a description of the TEA's continuing disclosure undertaking to provide certain updated financial information and operating data annually with respect to the Permanent School Fund and the State, as the case may be, and to provide timely notice of specified events related to the guarantee to the MSRB.

Annual Reports

The District shall provide annually to the MSRB, (1) within six months after the end of each fiscal year of the District, financial information and operating data with respect to the District of the general type included in APPENDIX A of this Official Statement (except with respect to "Table 6 - Estimated Overlapping Debt Statement"), and (2) if not provided as part of such financial information and operating data, audited financial statements of the District. Any financial statements to be provided shall be (i) prepared in accordance with the accounting principles described in APPENDIX C hereto or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation, and in substantially the form included in this

Official Statement, and (ii) audited, if the District commissions an audit of such financial statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the District shall file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by Rule 15c2-12.

The District's current fiscal year end is August 31. Accordingly, it must provide updated information by the last day of February in each year, unless it changes its fiscal year. If the District changes its fiscal year, it will file notice of such change with the MSRB (and of the date of the new fiscal year end).

Notice of Certain Events

The District will file with the MSRB notice of any of the following events with respect to the Bonds in a timely manner (not more than ten (10) business days after occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional Paying Agent/Registrar or the change of name of a Paying Agent/Registrar, if material; (15) incurrence of a financial obligation of the District (as defined by Rule 15c2-12, which includes certain debt, debt-like, and debt-related obligations), if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such 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 any such financial obligation of the District, any of which reflect financial difficulties.

Neither the Bonds nor the Order make any provision for debt service reserves, credit enhancement (with the exception of the Texas Permanent School Fund guarantee), or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports." The District will provide each notice described in this paragraph to the MSRB.

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

Additionally, the District intends the words used in clauses (15) and (16) of the first paragraph of this subcaption and the definition of "financial obligation" in these clauses to have the same meanings as when they are used in Rule 15c2-12, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

Availability of Information from MSRB

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

Limitations and Amendments

The District has agreed to update information and to provide notices of specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell 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 or beneficial owners 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 to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with Rule 15c2-12, taking into account any amendments or interpretations of Rule 15c2-12 to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent or (b) any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The District may also repeal or amend these provisions if the SEC amends or repeals the applicable provisions of Rule 15c2-12 or any court of final jurisdiction enters judgment that such provisions of Rule 15c2-12 are invalid, but in either case 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 giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of Rule 15c2-12. If the District amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

Compliance with Prior Agreements

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

WEATHER EVENTS

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

CYBERSECURITY RISKS

Computer networks and data transmission and collection are vital to the operations of the District. Information technology and infrastructure of the District may be subject to attacks by outside or internal hackers and may be subject to breach by employee error, negligence or malfeasance. An attack or breach could compromise systems and the information stored thereon, result in the loss of confidential or proprietary data and disrupt the operations of the District. To mitigate these risks, the District continuously endeavors to improve the range of control for digital information operations, enhancements to the authentication process, and additional measures toward improving system protection/security posture, including required training for District staff and administration.

CONCENTRATION OF TAX BASE

As shown in "Table 5 – Ten Largest Taxpayers" of "APPENDIX A – SELECTED FINANCIAL INFORMATION REGARDING THE DISTRICT" the top ten taxpayers in the District currently account for, in the aggregate, over 72% of the District's tax base, with the top taxpayer accounting for over 34%. Adverse developments in economic conditions could adversely impact the businesses in the District and the tax values in the District, resulting in less local tax revenue. If any major taxpayer were to default in the payment of taxes, the ability of the District to timely pay debt service on its bonds will be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process, or perhaps, to sell tax anticipation notes until such amounts could be collected, if ever. See "THE BONDS – Default and Remedies" and "THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT." Bondholders may become reliant upon the Permanent School Fund Guarantee in the event of a payment default by the District. See "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM."

OTHER PERTINENT INFORMATION

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

Registration and Qualification of Bonds for Sale

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

It is the obligation of the 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.

Municipal Bond Rating

S&P Global Ratings, Inc. ("S&P") has assigned an underlying, unenhanced rating of "A" to the Bonds. S&P is expected to assign a rating of "AAA" to the 2025 Bonds based upon the Permanent School Fund Guarantee. S&P generally rate all bond issues guaranteed by the Permanent School Fund of the State of Texas "AAA". S&P is expected to assign the 2025A Bonds the insured rating of "___". S&P is expected to assign such municipal bond rating to the 2025A Bonds on the understanding that the standard municipal bond insurance policy of ___ guaranteeing the payment of principal of and interest due with respect to the Bonds will be issued and delivered by ___ upon the issuance of the 2025A Bonds.

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

Municipal Advisor

Live Oak Public Finance, LLC (the "Municipal Advisor") is employed as the Municipal Advisor to the District in connection with the issuance of the Bonds. The Municipal Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Live Oak Public Finance, LLC, in its capacity as Municipal Advisor, has relied on the opinions of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants, and representations contained in any of the bond documentation with respect to the federal income tax status of the Bonds.

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

Underwriting

The Underwriters have agreed, subject to certain conditions, to purchase the 2025 Bonds from the District at the price equal to the initial offering prices to the public, as shown on page ii herein, less an Underwriters' discount of \$_____. The Underwriters have agreed, subject to certain conditions, to purchase the 2025A Bonds from the District at the price equal to the initial offering prices to the public, as shown on page iv herein, less an Underwriters' discount of \$_____. The Underwriters' obligation is subject to certain conditions precedent. The Underwriters will be obligated to purchase all of the Bonds, if any of the Bonds are

purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

SAMCO Capital Markets Inc., an Underwriter of the Unlimited Tax School Building Bonds, Series 2025 and Unlimited Tax Refunding Bonds, Series 2025A, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, "Fidelity"). Under this distribution agreement, SAMCO Capital Markets Inc. may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, SAMCO Capital Markets Inc. will compensate Fidelity for its selling efforts.

One of the Underwriters is BOK Financial Securities, Inc., which is not a bank, and the Bonds are not deposits of any bank and are not insured by the Federal Deposit Insurance Corporation.

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.

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

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

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

Verification of Mathematical Computations

The arithmetical accuracy of certain computations included in the schedules provided by Live Oak Public Finance LLC on behalf of the District relating to computation of forecasted receipts of principal and interest on the Escrowed Securities and the forecasted payments of principal and interest to redeem the 2025A Bonds, were verified by Public Finance Partners, LLC. Such verification will be relied upon by Bond Counsel in rendering its opinions with respect to defeasance of the 2025A Bonds. Such computations were based solely on assumptions and information supplied by Live Oak Public Finance, LLC on behalf of the District. Public Finance Partners, LLC has restricted its procedures to verifying the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information on which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

Use of Audited Financial Statements

Eckert & Company LLP, San Angelo, Texas ("Eckert"), the District's independent auditor, has not been engaged to perform and has not performed, since the date of the report included herein, any procedures on the financial statements addressed in that report. Eckert has not performed any procedures relating to this Official Statement.

Forward Looking Statements

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

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the

foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the District. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

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, SEC Rule 15c2-12.

Authorization of the Official Statement

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

This Official Statement will be approved by the Board of the District for distribution in accordance with provisions of the SEC's Rule codified at 17 C.F.R. Section 240.15c2-12, as amended.

The Bond Orders will approve the form and content of this Official Statement and any addenda, supplement or amendment thereto and authorize its further use in the reoffering of the Bonds by the Underwriters.

**IRAAN-SHEFFIELD COLLEGIATE INDEPENDENT SCHOOL
DISTRICT**

/s/ _____
President, Board of Trustees

ATTEST:

/s/ _____
Secretary, Board of Trustees

SCHEDULE I
REFUNDED OBLIGATIONS*

Series	Principal Amount (\$)	Maturities	Interest Rates (%)	Redemption Date and Price
Iraan-Sheffield Collegiate Independent School District				
Maintenance Tax Notes				
Series 2024				
	125,000	03/01/2026	5.400	Any Date@100.00%
	133,000	03/01/2027	5.400	Any Date@100.00%
	140,000	03/01/2028	5.400	Any Date@100.00%
	148,000	03/01/2029	5.400	Any Date@100.00%
	155,000	03/01/2030	5.400	Any Date@100.00%
	164,000	03/01/2031	5.400	Any Date@100.00%
	173,000	03/01/2032	5.400	Any Date@100.00%
	182,000	03/01/2033	5.400	Any Date@100.00%
	192,000	03/01/2034	5.400	Any Date@100.00%

The Refunded Notes listed above will be called on August 27, 2025.

**Preliminary, subject to change.*

APPENDIX A
SELECTED FINANCIAL INFORMATION REGARDING THE DISTRICT

TABLE 1 - Valuation, Exemptions and Tax Supported Debt

District Direct Debt	
2025 Certified Taxable Assessed Valuation ⁽¹⁾ (100% of Estimated Market Value)	\$1,603,587,683
Outstanding Debt	\$4,050,000
Plus: The 2025 Bonds ⁽²⁾	56,160,000
Plus: The 2025A Bonds ⁽²⁾	1,440,000
Total Direct Debt ⁽³⁾	<u>\$61,650,000</u>
As a % of 2025 Certified Taxable AV (I&S)	3.84%

⁽¹⁾ Source: Pecos County Appraisal District. Taxable values contained in Appendix A do not reflect potential increase in homestead exemptions.

⁽²⁾ Preliminary, subject to change.

⁽³⁾ Includes the Bonds. Preliminary, subject to change.

TABLE 2 - Taxable Assessed Valuation by Category ⁽¹⁾

	<u>Tax Year 2025</u>	<u>Tax Year 2024</u>	<u>Tax Year 2023</u>	<u>Tax Year 2022</u>	<u>Tax Year 2021</u>
Gross Value	\$1,772,343,190	\$1,915,661,248	\$1,892,344,268	\$1,780,826,762	\$1,233,841,433
Less Exemptions and Deductions	168,755,507	168,191,540	162,319,974	146,505,573	109,116,485
Net Taxable Valuation	\$1,603,587,683	\$1,747,469,708	\$1,730,024,294	\$1,634,321,189	\$1,124,724,948

⁽¹⁾ Source: Pecos County Appraisal District. Taxable values contained in Appendix A do not reflect potential increase in homestead exemptions.

TABLE 3 - Valuation and Tax Supported Debt History

Fiscal Year Ended 8/31	Estimated Population⁽¹⁾	Net Taxable Assessed Valuation ⁽²⁾	Net Taxable AV Per Capita	Tax Supported Debt Outstanding	Ratio of Tax Supported Debt to Assessed Valuation	Tax Supported Debt Per Capita
2022	1,478	\$1,124,724,948	\$760,978	\$8,420,000	0.75%	\$5,697
2023	1,425	1,634,321,189	1,146,892	7,551,000	0.46%	5,299
2024	1,425	1,730,024,294	1,214,052	4,050,000	0.23%	2,842
2025	1,434	1,747,469,708	1,218,598	61,105,000 ⁽³⁾⁽⁴⁾	3.50%	42,612
2026	1,375	1,603,587,683	1,166,246	59,435,000 ⁽³⁾⁽⁴⁾	3.71%	43,225

⁽¹⁾ Source: The Municipal Advisory Council of Texas.

⁽²⁾ Source: Pecos County Appraisal District. Taxable values contained in Appendix A do not reflect potential increase in homestead exemptions.

⁽³⁾ Includes the Bonds. Preliminary, subject to change.

⁽⁴⁾ The District plans to defease a portion of its Unlimited Tax School Building Bonds, Series 2019 before the August 31, 2025 FYE.

TABLE 4 - Tax Rate, Levy, and Collection History

Fiscal Year Ended 08/31	Tax Year	Taxable Assessed Valuation ⁽¹⁾	Tax Rate	Tax Levy	Percent Collections ⁽²⁾	
					Current	Total
2021	2020	\$1,354,130,920	\$1.1264	\$11,961,138	93.84%	94.48%
2022	2021	1,124,724,948	1.1234	9,458,925	98.71%	106.67%
2023	2022	1,634,321,189	1.0146	12,899,183	98.83%	99.72%
2024	2023	1,730,024,294	0.9100	13,130,349	99.12%	99.73%
2025	2024	1,747,469,708	0.9057	13,824,334	93.79%	93.79%

Tax Rate Distribution (Tax Year)

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Maintenance	\$0.6969	\$0.7012	\$0.8646	\$0.9734	\$0.9764
Debt Service	0.2088	0.2088	0.1500	0.1500	0.1500
Total	\$0.9057	\$0.9100	\$1.0146	\$1.1234	\$1.1264

⁽¹⁾ Source: Pecos County Appraisal District. Taxable values contained in Appendix A do not reflect potential increase in homestead exemptions.

⁽²⁾ Source: The District's Audited Financial Statements. Excludes penalties and interest.

TABLE 5 - Ten Largest Taxpayers

Taxpayer Name	Type of Property	2024 Net Taxable Assessed Valuation ⁽¹⁾	% of Total 2024 Assessed Valuation ⁽²⁾
Kinder Morgan Production Co. LP	Oil & Gas	\$606,954,740	34.73%
RE Maplewood I	Solar Energy Plant	134,747,700	7.71%
Alamo 6 LLC	Solar Energy Plant	96,272,000	5.51%
BRP Pavo Bess	Equipment	81,290,430	4.65%
Blockstream Services USA Inc.	Technology	79,076,620	4.53%
Midway Solar LLC	Solar Energy Plant	77,532,650	4.44%
BRP Hydra Bess LLC	Equipment	69,157,530	3.96%
East Pecos Solar LLC	Solar Energy Plant	61,241,440	3.50%
Desert Sky Wind Farm	Wind Farm/Turbines	52,352,000	3.00%
Total		\$1,258,625,110	72.03%

⁽¹⁾ Source: Pecos County Appraisal District.

⁽²⁾ As shown in the table above, the top ten taxpayers in the District currently account for over 72% of the District's tax base, with the top taxpayer accounting for over 34%. Adverse developments in economic conditions could adversely impact the businesses in the District and the tax values in the District, resulting in less local tax revenue. If any major taxpayer were to default in the payment of taxes, the ability of the District to timely pay debt service on its bonds will be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process, or perhaps, to sell tax anticipation notes until such amounts could be collected, if ever.

TABLE 6 - ESTIMATED OVERLAPPING DEBT STATEMENT ⁽¹⁾

Taxing Body	Amount	As Of	Percent Overlapping	Amount Overlapping
Iraan General Hosp District, Pecos C	\$6,555,000	6/30/2025	23.82%	\$1,561,401
Iraan, City of	-	6/30/2025	100.00%	-
Pecos Co	-	6/30/2025	23.79%	-
Total Overlapping Debt				\$1,561,401
Iraan-Sheffield Collegiate Independent School District ⁽²⁾				\$61,650,000
Total Direct and Overlapping Debt ⁽²⁾				\$63,211,401
Ratio of Net Direct & Overlapping Debt to Net Taxable Valuation ⁽²⁾				3.94%
Per Capita Direct & Overlapping Debt ⁽²⁾				\$45,971.93

⁽¹⁾ Source: The Municipal Advisory Council of Texas.

⁽²⁾ Includes the Bonds. Preliminary, subject to change.

TABLE 7 – Pro-Forma Tax Supported Debt Service Requirements

Fiscal Year Ending 8/31	Outstanding Debt Service	Plus: The 2025 Bonds ⁽¹⁾⁽²⁾			Plus: The 2025A Bonds ⁽¹⁾⁽²⁾			New Total Debt Service Requirements
		Principal	Interest	Total	Principal	Interest	Total	
2025	\$704,525	\$ -	\$ 7,800	\$ 7,800	\$ -	\$ 200	\$ 200	\$712,525
2026	701,650	970,000	2,682,350	3,652,350	130,000	66,150	196,150	4,550,150
2027	705,400	820,000	2,739,000	3,559,000	135,000	62,125	197,125	4,461,525
2028	705,900	775,000	2,699,125	3,474,125	145,000	55,125	200,125	4,380,150
2029	705,400	740,000	2,661,250	3,401,250	150,000	47,750	197,750	4,304,400
2030	703,900	705,000	2,625,125	3,330,125	160,000	40,000	200,000	4,234,025
2031	392,700	1,000,000	2,582,500	3,582,500	165,000	31,875	196,875	4,172,075
2032	-	1,390,000	2,522,750	3,912,750	175,000	23,375	198,375	4,111,125
2033	-	1,220,000	2,457,500	3,677,500	185,000	14,375	199,375	3,876,875
2034	-	1,255,000	2,395,625	3,650,625	195,000	4,875	199,875	3,850,500
2035	-	1,425,000	2,328,625	3,753,625	-	-	-	3,753,625
2036	-	1,485,000	2,255,875	3,740,875	-	-	-	3,740,875
2037	-	1,435,000	2,182,875	3,617,875	-	-	-	3,617,875
2038	-	1,510,000	2,109,250	3,619,250	-	-	-	3,619,250
2039	-	1,585,000	2,031,875	3,616,875	-	-	-	3,616,875
2040	-	1,665,000	1,950,625	3,615,625	-	-	-	3,615,625
2041	-	1,755,000	1,865,125	3,620,125	-	-	-	3,620,125
2042	-	1,840,000	1,775,250	3,615,250	-	-	-	3,615,250
2043	-	1,935,000	1,680,875	3,615,875	-	-	-	3,615,875
2044	-	2,035,000	1,581,625	3,616,625	-	-	-	3,616,625
2045	-	2,140,000	1,477,250	3,617,250	-	-	-	3,617,250
2046	-	2,250,000	1,367,500	3,617,500	-	-	-	3,617,500
2047	-	2,365,000	1,252,125	3,617,125	-	-	-	3,617,125
2048	-	2,485,000	1,130,875	3,615,875	-	-	-	3,615,875
2049	-	2,615,000	1,003,375	3,618,375	-	-	-	3,618,375
2050	-	2,750,000	869,250	3,619,250	-	-	-	3,619,250
2051	-	2,890,000	728,250	3,618,250	-	-	-	3,618,250
2052	-	3,040,000	580,000	3,620,000	-	-	-	3,620,000
2053	-	3,195,000	424,125	3,619,125	-	-	-	3,619,125
2054	-	3,355,000	260,375	3,615,375	-	-	-	3,615,375
2055	-	3,530,000	88,250	3,618,250	-	-	-	3,618,250
Total	\$4,619,475	\$56,160,000	\$52,316,400	\$108,476,400	\$1,440,000	\$345,850	\$1,785,850	\$114,881,725
Average Annual Debt Service Requirements								\$3,705,862
Maximum Annual Debt Service Requirements								\$4,550,150

⁽¹⁾ Preliminary, subject to change.

⁽²⁾ Interest calculated at assumed rates for purposes of illustration. Preliminary, subject to change.

TABLE 8 - Authorized but Unissued Unlimited Tax Bonds

A summary of the bonds authorized is as follows:

Date Authorized	Purpose	Amount Authorized	Amount Previously Issued	Amount This Issue ⁽¹⁾	Authorized but Unissued⁽²⁾
5/3/2025	School Building	\$43,770,000	\$0	\$43,770,000	\$0
5/3/2025	Refunding Maintenance Tax Notes	1,490,000	0	1,490,000	0
5/3/2025	Ag & Baseball/Softball	5,850,000	0	5,850,000	0
5/3/2025	Football/Track	7,450,000	0	7,450,000	0

⁽¹⁾ Includes any premium allocations that the District intends to apply against voted authorization. Preliminary, subject to change.

⁽²⁾ Preliminary, subject to change.

TABLE 9 - Other Obligations ⁽¹⁾

As of August 31, 2024, other obligations of the District include the following financed purchase obligations.

The District's outstanding maintenance tax note, which is payable from the General Fund, is as follows:

Maintenance Tax Note (Direct Placement)		Interest Rate	Maturity Date	Original Amount Issued	Amount Outstanding August 31, 2024
Series	Description				
2024	Building Improvements or Expenses	5.4%	2034	\$1,532,000	\$1,532,000

During each year while the maintenance tax note is outstanding, the District is required to budget an amount necessary to pay the tax note out of maintenance taxes and other revenues and funds lawfully available. In case of default the lender will proceed against the District with legal action for any relief permitted by law.

The annual debt service requirement is as follows:

Year Ending August 31,	Maintenance Tax Note (Direct Placement) ⁽²⁾		
	Principal	Interest	Total
2025	\$120,000	\$82,728	\$202,728
2026	125,000	76,248	201,248
2027	133,000	69,498	202,498
2028	140,000	62,316	202,316
2029	148,000	54,756	202,756
2030-2034	866,000	145,260	1,011,260
Totals	\$1,532,000	\$490,806	\$2,022,806

⁽¹⁾ Source: The District's Audited Financial Statements.

⁽²⁾ The Maintenance Tax Notes, Series 2024 will be refunded by the Series 2025A Bonds.

TABLE 10 - Schedule of General Fund Revenues and Expenditure History ⁽¹⁾

For Fiscal Year ended August 31	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
REVENUES:					
Total Local and Intermediate Sources	\$11,762,359	\$12,553,750	\$8,456,097	\$9,905,230	\$12,696,315
State Program Revenues	436,316	532,754	530,307	544,345	811,802
Federal Program Revenues	214,800	234,089	35,343	77,175	5,836
Total Revenues	\$12,413,475	\$13,320,593	\$9,021,747	\$10,526,750	\$13,513,953
EXPENDITURES:					
Instruction	\$2,427,623	\$2,100,910	\$2,070,452	\$2,067,487	\$2,220,176
Instructional Resources & Media Services	61,690	62,693	61,587	47,642	95,173
Curriculum and Instructional Staff Development	10,000	4,260	8,218	2,709	5,624
School Leadership	501,356	454,518	435,770	486,558	410,600
Guidance, Counseling, & Evaluation Services	62,931	59,809	50,646	85,777	98,421
Health Services	149,946	126,866	107,873	56,927	62,939
Student Transportation	97,608	135,124	735,173	217,769	199,904
Food Services	324,862	336,967	540	-	-
Extracurricular Activities	380,343	384,683	370,946	281,213	233,334
General Administration	761,169	690,080	640,791	578,015	676,549
Facilities Maintenance & Operations	1,325,523	1,336,764	1,418,869	1,331,435	1,309,939
Security Monitoring and Services	13,437	45,232	8,728	4,000	6,800
Data Processing Services	341,682	225,475	119,511	91,979	100,094
Community Services	70,075	54,521	3,333	-	-
Debt Service:					
Principal on Long Term Debt	-	8,637	17,871	-	-
Interest on Long Term Debt	-	103	496	-	6,293
Bond Issuance Cost and Fees	32,000	-	-	-	52,240
Capital Outlay:					
Facilities, Acquisition & Construction	2,367,280	-	-	-	-
Intergovernmental:					
Contracted Instructional Service Between Schools	4,558,170	6,128,678	3,834,574	5,376,827	6,966,867
Payments to Fiscal Agents/Members Districts of SSA	158,887	-	-	78,105	92,741
Other Intergovernmental	70,522	111,458	92,125	109,710	128,340
Total Expenses	\$13,715,104	\$12,266,778	\$9,977,503	\$10,816,153	\$12,666,034
Excess (Deficiency) of Revenues Over (Under) Expenditures	(\$1,301,629)	\$1,053,815	(\$955,756)	(\$289,403)	\$847,919
Other Financing Sources and (Uses):					
Refunding Bonds Issued	-	-	-	-	1,894,000
Sale of Real or Personal Property	333,129	47,482	-	135,192	54,803
Right-to-Use Leases	1,532,000	-	-	-	-
Transfers In	523,568	505,327	448,913	-	-
Transfers Out	(133,784)	(120,087)	(140,830)	(150,887)	(183,214)
Long-Term Debt Refunding	-	-	-	-	(1,841,051)
Total Other Financing Sources and (Uses)	2,254,913	432,722	308,083	(15,695)	(75,462)
Net Change in Fund Balances	\$953,284	\$1,486,537	(\$647,673)	(\$305,098)	\$772,457
Fund Balances - Beginning	\$3,959,236	\$2,548,328	\$3,144,704	\$3,360,411	\$2,170,328
Increase (Decrease) in Fund Balance	(\$29,671)	\$ (75,629)	\$ 51,297	\$ 89,391	\$ 417,626
Fund Balances – Ending	\$4,882,849	\$3,959,236	\$2,548,328	\$3,144,704	\$3,360,411

⁽¹⁾ Source: District's Audited Financial Statements

Note: The Estimated General Fund Balance as of August 31, 2025 is expected to be approximately \$4,793,020.23.

TABLE 11 - General Operating Fund Comparative Balance Sheet ⁽¹⁾

For Fiscal Year Ended August 31	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
ASSETS:					
Cash & Cash Equivalents	\$5,001,578	\$6,997,947	\$2,863,102	\$4,163,064	\$4,043,583
Property Taxes - Delinquent	499,539	480,089	454,996	970,722	401,976
Allowance for uncollectible taxes (credit)	(113,373)	(67,390)	(89,240)	(92,064)	(129,438)
Due from Other Governments	244,565	92,912	120,630	25,836	95,483
Due from Other Funds	228,836	88,571	-	66,951	2,512
Prepayments	-	21,939	18,978	19,028	18,978
Total Assets	\$5,861,145	\$7,614,068	\$3,368,466	\$5,153,537	\$4,433,094
LIABILITIES:					
Current Liabilities:					
Accounts Payable	\$121,734	\$169,159	\$137,961	\$50,092	\$99,807
Payroll Deductions and Withholdings Payable	-	-	34,037	-	-
Accrued Wages Payable	223,562	155,960	165,305	131,344	135,425
Due to Other Funds	183,928	2,764,662	-	-	-
Due to Other Governments	-	103,226	103,817	380,494	554,273
Accrued Expenditures	16,465	12,758	13,262	10,520	10,640
Deferred/Unearned Revenue	46,441	36,368	-	557,725	-
Total Liabilities	\$592,130	\$3,242,133	\$454,382	\$1,130,175	\$800,145
DEFERRED INFLOWS OF RESOURCES:					
Unavailable Revenue - Property Taxes	\$386,166	\$412,699	\$365,756	\$878,658	\$272,538
Total Deferred Inflows of Resources	\$386,166	\$412,699	\$365,756	\$878,658	\$272,538
FUND BALANCES:					
Nonspendable Fund Balance:					
Prepaid Items	\$ -	\$21,939	\$18,978	\$19,028	\$18,978
Restricted Fund Balance:					
Retirement of Long-Term Debt	-	28,571	-	-	-
Other Restricted Fund Balance	-	-	-	-	-
Committed Fund Balance:					
Construction	1,000,000	1,000,000	1,000,000	1,000,000	-
Capital Expenditures for Equipment	250,000	250,000	250,000	250,000	-
Other Committed Fund Balance	250,000	250,000	250,000	250,000	-
Unassigned Fund Balance:	3,382,849	2,408,726	1,029,350	1,625,676	3,341,433
Total Fund Balances	\$4,882,849	\$3,959,236	\$2,548,328	\$3,144,704	\$3,360,411
Total Liabilities, Deferred Inflow of Resources and Fund Balances	\$5,861,145	\$7,614,068	\$3,368,466	\$5,153,537	\$4,433,094

⁽¹⁾ Source: District's Audited Financial Statements

TABLE 12 - Current Investments ⁽¹⁾

As of June 30, 2025 the District had the following investments:

	<u>Percent</u>	<u>Book Value</u>	<u>Market Value</u>
Texas Local Gov. Investment Pool	19.24%	\$2,598,451	\$2,598,451
LoneStar Corporate	80.69%	10,895,443	10,895,443
Texas Class Medical Fund	0.07%	9,439	9,439
Total Investments	100.00%	\$13,503,332	\$13,503,332

⁽¹⁾ Source: District's records as of June 30, 2025

APPENDIX B

AUDITED FINANCIAL STATEMENTS

The information contained in this appendix consists of the Iraan-Sheffield Collegiate Independent School District Audited Financial Statements (the "Report") for the fiscal year ended August 31, 2024.

The information presented represents only a part of the Report and does not purport to be a complete statement of the District's financial condition. Reference is made to the complete Annual Audit Report for additional information.

IRAAN-SHEFFIELD COLLEGIATE INDEPENDENT SCHOOL DISTRICT
Annual Financial Report
Year Ended August 31, 2024

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CERTIFICATE OF THE BOARD

IRAAN-SHEFFIELD COLLEGIATE INDEPENDENT SCHOOL DISTRICT
Name of School District

PECOS
County

186-903
County -
District
Number

We, the undersigned, certify that the attached annual financial report of the above-named School District was reviewed and

X approved ____ disapproved for the year ended August 31, 2024, at a meeting of the Board of Trustees of such School District
(Check One)

on the _____ day of _____, 20__.

Ollie Schneemann
Signature of Board Secretary

Homer Cox
Signature of Board President

If the Board of Trustees disapproved the annual financial report, the reason(s) for disapproving it is (are) (attach list as necessary):

FINANCIAL SECTION



A Limited Liability Partnership

Michael E. Oliphant, CPA
Wayne Barr, CPA
Cathryn A. Pitcock, CPA
Megan Solsbery, CPA

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FAX: (325) 942-1093
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Members of
American Institute of CPAs
Texas Society of CPAs

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Iraan-Sheffield Collegiate Independent School District
P.O. Box 486
Iraan, TX 79744-0486

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Iraan-Sheffield Collegiate Independent School District as of and for the year ended August 31, 2024, and the related notes to the financial statements, which collectively comprise the Iraan-Sheffield Collegiate Independent School District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Iraan-Sheffield Collegiate Independent School District as of August 31, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

The District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 100, *Accounting Changes and Error Corrections-an amendment of GASB Statement No. 62*, described in Note I., N. to the financial statements. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America 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 auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Iraan-Sheffield Collegiate 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 Iraan-Sheffield Collegiate 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, budgetary comparison information, and net pension liability and contributions information and net OPEB liability and contributions information for the Teacher Retirement System of Texas be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Iraan-Sheffield Collegiate Independent School District's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

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

Eckert & Company, LLP

January 13, 2025

Iraan-Sheffield Collegiate Independent School District

Mr. Gary Laramore - Superintendent

Excellence: Every Student, Every Classroom, Every Day

Call Barnard - Principal, Iraan High School
Berry Bowman - Principal, Iraan JH School
Ashlee Allen - Principal, Iraan Elementary
Berry Bowman - Head Coach, Athletic Director

Board of Trustees

Tory Cox - President
Jodi Cravens - Vice-President
Ollie Schneemann - Secretary
Margaret Holmes
Jeffery McMahon
Bobby Scalzo
Cody Strube

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Iraan-Sheffield Collegiate Independent School District's financial performance provides an overview of the District's financial activities for the year ended August 31, 2024. It should be read in conjunction with the District's basic financial statements and independent auditor's report.

Financial Highlights

The District's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the end of the current year by \$27,936,384 (net position). Of this amount, \$2,023,902 (unrestricted) may be used to meet the District's ongoing obligations.

The District's total net position increased by \$3,645,572 or 15%. This amount consists of a \$3,675,243 increase attributable to current year operations and a \$29,671 decrease attributable to prior period adjustments described in Note IV., H. to the financial statements. The District's statement of activities shows total revenues of \$16,915,079 and total expenses of \$13,239,836.

The total fund balance of the General Fund is \$4,882,849 which is an increase of \$923,613 or 23% compared to the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

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

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

The statement of activities presents information showing how the District's net position changed during the current year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future years.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Overview of the Financial Statements - Continued

The governmental activities of the District include all activities related to public elementary and secondary education within the jurisdiction of the District.

The District has no component units.

Fund Financial Statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Special Revenue Fund - School Safety Standards Fund, and the Debt Service Fund, all of which are considered to be major funds. Data from other governmental funds are combined into a single, aggregated presentation.

The District adopts an annual appropriated budget for its General Fund and Debt Service Fund. A budgetary comparison statement has been provided for each of these funds to demonstrate compliance with the budget for each fund.

Proprietary Funds - The District's Internal Service Fund is used to accumulate and allocate costs internally among the District's various functions. The District uses an internal service fund to account for its employee health insurance program. Because this service predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

The Internal Service Fund is presented in the proprietary fund financial statements.

Fiduciary Funds - Fiduciary Funds account for assets held by the District in a trustee capacity or resources held for the benefit of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those Funds are not available to support the District's own programs.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Government-Wide Financial Analysis

Net Position - A summary of the District's net position is presented below:

NET POSITION

	Governmental Activities	
	August 31,	
	2024	2023
Current and Other Assets	\$ 6,804,044	\$ 8,329,571
Capital Assets	<u>31,070,090</u>	<u>30,079,054</u>
 Total Assets	 <u>\$ 37,874,134</u>	 <u>\$ 38,408,625</u>
 Deferred Outflows of Resources	 <u>\$ 1,646,396</u>	 <u>\$ 1,753,626</u>
 Other Liabilities	 \$ 477,638	 \$ 515,989
Long-Term Liabilities Outstanding	<u>8,607,769</u>	<u>12,424,194</u>
 Total Liabilities	 <u>\$ 9,085,407</u>	 <u>\$ 12,940,183</u>
 Deferred Inflows of Resources	 <u>\$ 2,498,739</u>	 <u>\$ 2,931,256</u>
 Net Position		
Net Investment in Capital Assets	\$ 25,312,588	\$ 20,279,169
Restricted	599,894	2,634,209
Unrestricted	<u>2,023,902</u>	<u>1,377,434</u>
 Total Net Position	 <u><u>\$ 27,936,384</u></u>	 <u><u>\$ 24,290,812</u></u>

A large portion of the District's net position (\$25,312,588) reflects the District's investment in capital assets, less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide public elementary and secondary education within the jurisdiction of the District; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net position (\$599,894) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$2,023,902) may be used to meet the District's ongoing obligations.

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Government-Wide Financial Analysis - Continued

Governmental Activities - Governmental activities increased the District's net position by \$3,675,243 and \$2,517,478 for the fiscal years ended August 31, 2024 and 2023, respectively. Key elements of these increases (decreases) are as follows:

CHANGES IN NET POSITION

	Governmental Activities	
	Year Ended August 31,	
	2024	2023
Revenues		
Program Revenues		
Charges for Services	\$ 145,875	\$ 109,707
Grants and Contributions	1,219,705	1,496,728
General Revenues		
Maintenance and Operations Taxes	9,466,706	10,438,430
Debt Service Taxes	3,602,717	2,449,050
State Aid - Formula Grants	167,320	267,821
Investment Earnings	667,046	465,356
Chapter 313 Payments	418,222	1,496,476
Other	1,227,488	201,325
Total Revenues	<u>\$ 16,915,079</u>	<u>\$ 16,924,893</u>
Expenses		
Instruction and Instructional-Related Services	\$ 3,537,976	\$ 3,445,535
Instructional and School Leadership	627,944	574,084
Support Services - Student (Pupil)	1,266,637	1,227,354
Administrative Support Services	859,164	786,225
Support Services - Nonstudent Based	1,952,702	1,812,864
Ancillary Services	88,598	67,989
Debt Service	119,236	253,228
Intergovernmental Charges	4,787,579	6,240,136
Total Expenses	<u>\$ 13,239,836</u>	<u>\$ 14,407,415</u>
Change in Net Position	\$ 3,675,243	\$ 2,517,478
Net Position - Beginning	24,290,812	21,877,534
Prior Period Adjustments	<u>(29,671)</u>	<u>(104,200)</u>
Net Position - Ending	<u><u>\$ 27,936,384</u></u>	<u><u>\$ 24,290,812</u></u>

MANAGEMENT'S DISCUSSION AND ANALYSIS - Continued

Financial Analysis of the District's Funds

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

The District's governmental funds reported combined ending fund balances of \$5,762,975, a decrease of \$1,057,156 or 16% in comparison with the prior year. These fund balances are reported in various governmental funds as follows:

General Fund \$4,882,849. Of this balance \$1,000,000 is committed for future construction, \$250,000 is committed for equipment, and \$250,000 is committed for technology.

Special Revenue Funds \$26,447. This balance is committed for use by the Campus Activity Funds of the District.

Debt Service Fund \$580,408. This balance is restricted for payment of long-term debt principal and interest.

Capital Projects Fund \$273,271. This balance is restricted for construction costs.

General Fund Budget

The original budget for the General Fund was \$10,956,320, and the final amended budget was \$14,539,723 which represents a \$3,583,403 increase in appropriations. Variances between the original budget and the final amended budget are reflected in Exhibit F-1 in the required supplementary information section of the audit report.

The District has adopted a budget for the General Fund in the amount of \$12,254,886 for the fiscal year 2025, which is a decrease of \$2,284,837 from the fiscal year 2024.

Capital Assets and Debt

Capital Assets - Financial statement footnote III., D. discloses the District's capital asset activity for the year ended August 31, 2024.

Long-Term Debt - Financial statement footnote III., H. discloses the District's debt activity for the year ended August 31, 2024.

Requests for Information

The financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Gary Laramore, Superintendent, Iraan-Sheffield Collegiate Independent School District, P.O. Box 486, Iraan, TX 79744-0486.

Basic Financial Statements

IRAAAN-SHEFFIELD COLLEGIATE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2024

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 6,099,653
1220 Property Taxes - Delinquent	579,665
1230 Allowance for Uncollectible Taxes	(124,953)
1240 Due from Other Governments	246,512
1267 Due from Fiduciary Funds	3,167
Capital Assets:	
1510 Land	66,772
1520 Buildings, Net	29,796,491
1530 Furniture and Equipment, Net	1,206,827
1000 Total Assets	37,874,134
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to TRS Pension	702,430
1706 Deferred Outflow Related to TRS OPEB	943,966
1700 Total Deferred Outflows of Resources	1,646,396
LIABILITIES	
2110 Accounts Payable	121,734
2140 Interest Payable	49,060
2160 Accrued Wages Payable	231,748
2180 Due to Other Governments	10,883
2200 Accrued Expenses	17,772
2300 Unearned Revenue	46,441
Noncurrent Liabilities:	
2501 Due Within One Year: Bonds and Notes	665,000
Due in More than One Year:	
2502 Bonds and Notes	5,366,223
2540 Net Pension Liability (District's Share)	1,641,376
2545 Net OPEB Liability (District's Share)	935,170
2000 Total Liabilities	9,085,407
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS Pension	99,168
2606 Deferred Inflow Related to TRS OPEB	2,399,571
2600 Total Deferred Inflows of Resources	2,498,739
NET POSITION	
3200 Net Investment in Capital Assets	25,312,588
3850 Restricted for Debt Service	599,894
3900 Unrestricted	2,023,902
3000 Total Net Position	\$ 27,936,384

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

IRAAAN-SHEFFIELD COLLEGIATE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2024

Data Control Codes	1	Program Revenues	
		3	4
	Expenses	Charges for Services	Operating Grants and Contributions
Primary Government:			
GOVERNMENTAL ACTIVITIES:			
11 Instruction	\$ 3,450,629	\$ 25,217	\$ 602,081
12 Instructional Resources and Media Services	77,347	-	2,891
13 Curriculum and Instructional Staff Development	10,000	-	-
23 School Leadership	627,944	-	20,051
31 Guidance, Counseling, and Evaluation Services	216,007	-	114,007
33 Health Services	182,234	-	12,293
34 Student (Pupil) Transportation	95,159	-	1,185
35 Food Services	362,747	23,415	154,068
36 Extracurricular Activities	410,490	25,260	7,955
41 General Administration	859,164	-	15,621
51 Facilities Maintenance and Operations	1,367,344	71,983	23,730
52 Security and Monitoring Services	203,358	-	189,921
53 Data Processing Services	382,000	-	8,956
61 Community Services	88,598	-	3,533
72 Debt Service - Interest on Long-Term Debt	60,726	-	21,639
73 Debt Service - Bond Issuance Cost and Fees	58,510	-	-
91 Contracted Instructional Services Between Schools	4,558,170	-	-
93 Payments Related to Shared Services Arrangements	158,887	-	-
99 Other Intergovernmental Charges	70,522	-	-
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 13,239,836	\$ 145,875	\$ 1,177,931

Data Control Codes	General Revenues:
	Taxes:
MT	Property Taxes, Levied for General Purposes
DT	Property Taxes, Levied for Debt Service
SF	State Aid - Formula Grants
IE	Investment Earnings
MI	Miscellaneous Local and Intermediate Revenue
TR	Total General Revenues
CN	Change in Net Position
NB	Net Position - Beginning
PA	Adjustments and Restatements
NE	Net Position - Ending

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

Net (Expense) Revenue and Changes in Net Position	
5	6
Capital Grants and Contributions	Governmental Activities
\$ 968	\$ (2,822,363)
-	(74,456)
-	(10,000)
-	(607,893)
-	(102,000)
-	(169,941)
-	(93,974)
10,815	(174,449)
-	(377,275)
-	(843,543)
-	(1,271,631)
-	(13,437)
29,991	(343,053)
-	(85,065)
-	(39,087)
-	(58,510)
-	(4,558,170)
-	(158,887)
-	(70,522)
<u>\$ 41,774</u>	<u>(11,874,256)</u>

9,466,706
3,602,717
167,320
667,046
<u>1,645,710</u>
15,549,499
<u>3,675,243</u>
24,290,812
<u>(29,671)</u>
<u>\$ 27,936,384</u>

IRAA N-SHEFFIELD COLLEGIATE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2024

Data Control Codes		10 General Fund	School Safety Standards	50 Debt Service Fund
ASSETS				
1110	Cash and Cash Equivalents	\$ 5,001,578	\$ 189,921	\$ 526,616
1220	Property Taxes - Delinquent	499,539	-	80,126
1230	Allowance for Uncollectible Taxes	(113,373)	-	(11,580)
1240	Due from Other Governments	244,565	-	-
1260	Due from Other Funds	228,836	-	53,792
1000	Total Assets	<u>\$ 5,861,145</u>	<u>\$ 189,921</u>	<u>\$ 648,954</u>
LIABILITIES				
2110	Accounts Payable	\$ 121,734	\$ -	\$ -
2160	Accrued Wages Payable	223,562	-	-
2170	Due to Other Funds	183,928	189,921	-
2180	Due to Other Governments	-	-	-
2200	Accrued Expenditures	16,465	-	-
2300	Unearned Revenue	46,441	-	-
2000	Total Liabilities	<u>592,130</u>	<u>189,921</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
2601	Unavailable Revenue - Property Taxes	386,166	-	68,546
2600	Total Deferred Inflows of Resources	<u>386,166</u>	<u>-</u>	<u>68,546</u>
FUND BALANCES				
Restricted Fund Balance:				
3480	Retirement of Long-Term Debt	-	-	580,408
3490	Other Restricted Fund Balance	-	-	-
Committed Fund Balance:				
3510	Construction	1,000,000	-	-
3530	Capital Expenditures for Equipment	250,000	-	-
3545	Other Committed Fund Balance	250,000	-	-
3600	Unassigned Fund Balance	3,382,849	-	-
3000	Total Fund Balances	<u>4,882,849</u>	<u>-</u>	<u>580,408</u>
4000	Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 5,861,145</u>	<u>\$ 189,921</u>	<u>\$ 648,954</u>

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

Other Funds	Total Governmental Funds
\$ 353,895	\$ 6,072,010
-	579,665
-	(124,953)
1,947	246,512
-	282,628
<u>\$ 355,842</u>	<u>\$ 7,055,862</u>
\$ -	\$ 121,734
8,186	231,748
35,748	409,597
10,883	10,883
1,307	17,772
-	46,441
<u>56,124</u>	<u>838,175</u>
-	454,712
<u>-</u>	<u>454,712</u>
-	580,408
273,271	273,271
-	1,000,000
-	250,000
26,447	276,447
-	3,382,849
<u>299,718</u>	<u>5,762,975</u>
<u>\$ 355,842</u>	<u>\$ 7,055,862</u>

IRAAN-SHEFFIELD COLLEGIATE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2024

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$ 5,762,975
1 The District used an internal service fund to charge the costs of self-insurance to appropriate functions in other funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.	157,779
2 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. In addition, long-term liabilities 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 amortization) and long-term debt in the governmental activities is to increase net position.	20,032,113
3 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 capital outlays and debt principal payments is to increase net position.	7,604,173
4 Issuance of debt is shown as other resources in the governmental fund financial statements but is shown as an increase in long-term debt in the government-wide financial statements,	(1,532,000)
5 Depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(1,417,137)
6 Included in the items related to debt are the recognition of the District's proportionate share of the net pension liability required by GASB 68 and related deferred resources outflows and deferred resources inflows. The net effect of these adjustments is to decrease net position.	(1,038,114)
7 Included in the items related to debt are the recognition of the District's proportionate share of the net other postemployment benefits liability required by GASB 75 and related deferred resources outflows and deferred resources inflows. The net effect of these adjustments is to decrease net position.	(2,390,775)
8 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.	757,370
29 Net Position of Governmental Activities	\$ 27,936,384

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

IRAA N-SHEFFIELD COLLEGIATE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2024

Data Control Codes	10 General Fund	School Safety Standards	50 Debt Service Fund
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 11,762,359	\$ -	\$ 3,624,001
5800 State Program Revenues	436,316	-	21,639
5900 Federal Program Revenues	214,800	189,921	-
5020 Total Revenues	12,413,475	189,921	3,645,640
EXPENDITURES:			
Current:			
0011 Instruction	2,427,623	-	-
0012 Instructional Resources and Media Services	61,690	-	-
0013 Curriculum and Instructional Staff Development	10,000	-	-
0023 School Leadership	501,356	-	-
0031 Guidance, Counseling, and Evaluation Services	62,931	-	-
0033 Health Services	149,946	-	-
0034 Student (Pupil) Transportation	97,608	-	-
0035 Food Services	324,862	-	-
0036 Extracurricular Activities	380,343	-	-
0041 General Administration	761,169	-	-
0051 Facilities Maintenance and Operations	1,325,523	-	-
0052 Security and Monitoring Services	13,437	189,921	-
0053 Data Processing Services	341,682	-	-
0061 Community Services	70,075	-	-
Debt Service:			
0071 Principal on Long-Term Liabilities	-	-	5,196,000
0072 Interest on Long-Term Liabilities	-	-	407,092
0073 Bond Issuance Cost and Fees	32,000	-	26,510
Capital Outlay:			
0081 Facilities Acquisition and Construction	2,367,280	-	-
Intergovernmental:			
0091 Contracted Instructional Services Between Schools	4,558,170	-	-
0093 Payments to Fiscal Agent/Member Districts of SSA	158,887	-	-
0099 Other Intergovernmental Charges	70,522	-	-
6030 Total Expenditures	13,715,104	189,921	5,629,602
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,301,629)	-	(1,983,962)
OTHER FINANCING SOURCES (USES):			
7912 Sale of Real and Personal Property	333,129	-	-
7914 Maintenance Tax Notes Proceeds	1,532,000	-	-
7915 Transfers In	523,568	-	-
8911 Transfers Out (Use)	(133,784)	-	-
7080 Total Other Financing Sources (Uses)	2,254,913	-	-
1200 Net Change in Fund Balances	953,284	-	(1,983,962)
0100 Fund Balance - September 1 (Beginning)	3,959,236	-	2,564,370
1300 Adjustments and Restatements	(29,671)	-	-
3000 Fund Balance - August 31 (Ending)	\$ 4,882,849	\$ -	\$ 580,408

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

		Total	
Other		Governmental	
Funds		Funds	
\$	12,131	\$	15,398,491
	343,900		801,855
	256,031		660,752
	612,062		16,861,098
	467,954		2,895,577
	47		61,737
	-		10,000
	-		501,356
	110,230		173,161
	-		149,946
	-		97,608
	-		324,862
	647		380,990
	-		761,169
	-		1,325,523
	-		203,358
	29,991		371,673
	-		70,075
	-		5,196,000
	-		407,092
	-		58,510
	-		2,367,280
	-		4,558,170
	-		158,887
	-		70,522
	608,869		20,143,496
	3,193		(3,282,398)
	-		333,129
	-		1,532,000
	-		523,568
	-		(133,784)
	-		2,254,913
	3,193		(1,027,485)
	296,525		6,820,131
	-		(29,671)
\$	299,718	\$	5,762,975

IRAAN-SHEFFIELD COLLEGIATE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2024

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ (1,027,485)
The District used an internal service fund to charge the costs of self-insurance to appropriate functions in other funds. The net income (loss) of the internal service fund is reported with governmental activities. The net effect of this consolidation is to decrease net position.	(381,705)
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 capital outlays and debt principal payments is to increase net position.	7,790,988
Issuance of debt is shown as other resources in the governmental fund financial statements but is shown as an increase in long-term debt in the government-wide financial statements.	(1,532,000)
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(1,417,137)
Current year changes due to GASB 68 include adjustments to net pension liability, deferred resources outflows, deferred resources inflows, and the corresponding effect on pension expense. The net effect of these adjustments is to decrease net position.	(172,464)
Current year changes due to GASB 75 include adjustments to the net other postemployment benefits liability, deferred resources outflows, deferred resources inflows, and the corresponding effect on other postemployment benefits expense. The net effect of these adjustments is to increase net position.	272,246
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the 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, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.	142,800
Change in Net Position of Governmental Activities	<u><u>\$ 3,675,243</u></u>

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

IRAAN-SHEFFIELD COLLEGIATE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2024

	Governmental Activities -
	Internal Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 27,643
Due from Other Funds	130,136
Total Assets	157,779
NET POSITION	
Unrestricted Net Position	157,779
Total Net Position	\$ 157,779

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

IRAAAN-SHEFFIELD COLLEGIATE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2024

	Governmental Activities -
	Internal Service Fund
NONOPERATING REVENUES (EXPENSES):	
Earnings from Temporary Deposits and Investments	\$ 8,079
Total Nonoperating Revenues (Expenses)	8,079
Income Before Transfers	8,079
Transfers Out	(389,784)
Change in Net Position	(381,705)
Total Net Position - September 1 (Beginning)	539,484
Total Net Position - August 31 (Ending)	\$ 157,779

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

IRAAN-SHEFFIELD COLLEGIATE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2024

EXHIBIT D-3

	Governmental Activities -
	Internal Service Fund
<u>Cash Flows from Non-Capital Financing Activities:</u>	
(Increase) Decrease in Due from Other Funds	159,811
Transfers Out	<u>(389,784)</u>
Net Cash Used for Non-Capital Activities	<u>(229,973)</u>
<u>Cash Flows from Investing Activities:</u>	
Interest and Dividends on Investments	<u>8,079</u>
Net Decrease in Cash and Cash Equivalents	(221,894)
Cash and Cash Equivalents at Beginning of Year	<u>249,537</u>
Cash and Cash Equivalents at End of Year	<u>\$ 27,643</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Provided By (Used For) Operating Activities:</u>	
Operating Income (Loss)	<u>\$ -</u>

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

IRAAN-SHEFFIELD COLLEGIATE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2024

	Custodial Fund
ASSETS	
Cash and Cash Equivalents	\$ 44,558
Total Assets	<u>44,558</u>
LIABILITIES	
Due to Other Funds	<u>3,167</u>
Total Liabilities	<u>3,167</u>
NET POSITION	
Restricted for Student Organizations	<u>41,391</u>
Total Net Position	<u><u>\$ 41,391</u></u>

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

IRAAAN-SHEFFIELD COLLEGIATE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2024

	Custodial Fund
ADDITIONS:	
Miscellaneous Revenue - Student	\$ 77,637
Total Additions	<u>77,637</u>
DEDUCTIONS:	
Student Organizations	<u>70,559</u>
Total Deductions	<u>70,559</u>
Change in Fiduciary Net Position	7,078
Total Net Position - September 1 (Beginning)	<u>34,313</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 41,391</u></u>

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

IRAAN-SHEFFIELD COLLEGIATE INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements
August 31, 2024

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Iraan-Sheffield Collegiate Independent School District is a public educational 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 applicable to state and local governments. Additionally, the District complies with the requirements of the Texas Education Agency's *Financial Accountability System Resource Guide* (the *Resource Guide*) and the requirements of contracts and grants of agencies from which it receives funds.

A. Reporting Entity

The District is governed by the Board of Trustees, a seven-member group, which is elected by the public and has governance responsibilities, including fiscal accountability, over all activities related to public elementary and secondary education within the jurisdiction of the Iraan-Sheffield Collegiate Independent School District (the primary government). There are no component units included within the reporting entity.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities include programs supported primarily by taxes, State foundation funds, grants, and other intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges for services - payments from parties that purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment of the District and (2) grants and contributions - payments from organizations outside the District that are restricted to meeting the operational or capital requirements of a particular function or segment of the District. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Interfund activities between governmental funds and proprietary funds appear as due to/due froms on the governmental funds balance sheet and on the proprietary funds statement of net position and as other resources and other uses on the governmental funds statement of revenues, expenditures, and changes in fund balance and on the proprietary funds statement of revenues, expenses, and changes in fund net position. All interfund transactions between governmental funds and between governmental funds and internal service funds are eliminated in the government-wide financial statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide statement of net position.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other funds.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues generally result from providing services in connection with a proprietary fund's ongoing operations. Operating expenses include the cost of services and administrative expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recognized when they are earned and become measurable, and expenses are recognized when they become measurable and a liability is incurred,

IRAAN-SHEFFIELD COLLEGIATE INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2024

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, and fund balances are included in the balance sheet. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, revenues received from the state, and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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 unearned revenue until related and authorized expenditures have been made.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Special Revenue Fund - School Safety Standards Grant which accounts for resources used to provide safety and security equipment.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

Additionally, the government reports the following fund types:

Special Revenue Funds - These Funds account for resources restricted to, or committed for, specific purposes by the District or a grantor in a special revenue fund. Most federal and some state financial assistance is accounted for in a special revenue fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

The Capital Projects Fund - This Fund accounts for financial resources that are restricted, committed, or assigned to expenditures for capital outlay, including the acquisition or construction of capital facilities and other capital assets.

Proprietary Fund Type - Internal Service Fund - This Fund accounts for the operations of an employee health insurance program.

Fiduciary Funds - These Funds account for assets held by the District in a trustee capacity or resources held for the benefit of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those Funds are not available to support the District's own programs.

IRAAN-SHEFFIELD COLLEGIATE INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2024

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

The District has the following Fiduciary Fund:

Custodial Fund - This Fund reports resources that are held by the District for other parties. This Fund is used to account for the District's student activity funds.

D. Cash and Cash Equivalents - Proprietary Funds

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

E. Interfund Receivables and Payables

Activity between individual funds may result in amounts owed between funds which are classified as Due To and From Other Funds. Other than amounts due to or from fiduciary funds these balances are eliminated in the statement of net position.

F. Receivables and Payables

Receivables are stated at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year.

G. Capital Assets

Capital assets are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one 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 assets lives are not capitalized.

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

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	50
Vehicles	7-12
Furniture and Equipment	6-15

IRAAN-SHEFFIELD COLLEGIATE INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2024

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

H. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

I. Pensions

In accordance with accounting guidance prescribed by GASB Statement No. 68, the fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities, and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

J. Other Postemployment Benefits (OPEB)

In accordance with accounting guidance prescribed by GASB Statement No. 75, 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 postemployment benefits, OPEB expense, and information about assets, liabilities, and additions to/deductions from TRS-Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan, and all cash is held in a cash account.

K. Compensated Absences

The District's policy does not permit employees to accumulate unused vacation and sick leave to be paid to the employees upon separation from service.

L. Net Position on the Statement of Net Position

Net position on the statement of net position includes the following:

Net Investment in Capital Assets - This component of net position represents the difference between capital assets net of accumulated depreciation and the outstanding balance of debt, excluding any unspent debt proceeds, which is directly attributable to the acquisition, construction, or improvement of those assets.

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

Unrestricted - This is the difference between assets/deferred outflows of resources and liabilities/deferred inflows of resources that is not reported as Net Investment in Capital Assets or Restricted for Debt Service.

IRAAN-SHEFFIELD COLLEGIATE INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2024

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

M. Fund Balances/Equity

In the fund financial statements, governmental funds report the following classifications of fund balance:

Restricted - Amounts that can be spent only for specific purposes because usage restraints have been imposed by external sources such as creditors (through a debt covenant), grantors, contributors, or laws or regulations of other governments.

Committed - Amounts that can be used only for specific purposes determined by a formal action of the Board of Trustees, the District's highest level of decision-making authority. Commitments may be modified or rescinded only through formal action by the Board of Trustees.

Unassigned - Amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the General Fund.

The details of the fund balances are included in the governmental funds balance sheet.

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

Unrestricted net position for proprietary funds represents the net position available for future operations.

Restricted net position for Fiduciary Funds represents custodial funds held by the District in a custodial capacity for student organizations.

N. Implementation of New Accounting Standard

The District implemented the provisions of GASB Statement No. 100, *Accounting Changes and Error Corrections-an amendment of GASB Statement No. 62*. This Statement establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). The District determined there was no impact upon its financial position, results of operations, or cash flows upon adoption.

O. Property Tax Revenues

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

The District recognizes as tax revenues those taxes that are measurable and available. Measurable means the amount can be determined, and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within the current period.

Taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles are based upon historical experience. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

IRAAN-SHEFFIELD COLLEGIATE INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2024

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

P. Interfund Transfers

Permanent relocations of resources between funds of the reporting entity are classified as interfund transfers. For purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budget

Formal budgetary accounting is employed for all required governmental fund types and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles.

The official school budget is prepared for adoption for required governmental fund types prior to August 20 of the preceding fiscal year for the subsequent fiscal year beginning September 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and the Debt Service Fund. The remaining Special Revenue Funds and the Capital Projects Fund adopt project-length budgets which do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles. The budget was amended throughout the year by the Board of Trustees. Such amendments are before the fact and are reflected in the official minutes of the Board.

B. Excess Expenditures Over Appropriations

Expenditures exceeded appropriations by insignificant amounts in three functions and Other Uses - Transfers Out as shown on Exhibit F-1.

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS

A. 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 authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers' acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The 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.

IRAAN-SHEFFIELD COLLEGIATE INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2024

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

A. Deposits and Investments - Continued

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy.

Custodial Credit Risk - Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits and investments in certificates of deposit may not be returned to it. The District's policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits and investments, other than the following: The State of Texas requires that a financial institution secure deposits and investments made by state and local governments by pledging securities in excess of the highest cash balance of the government. The District is not exposed to custodial credit risk for its deposits since they are covered by depository insurance and pledged securities held by a third party in the District's name.

Concentration of Credit Risk: The investment policy of the District contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent five percent or more of the total entity investments represent a concentration risk. The District is not exposed to this risk as described in the preceding paragraph.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At August 31, 2024, the District was not significantly exposed to credit risk.

Interest Rate Risk: Not applicable

Foreign Currency Risk: Not applicable

At August 31, 2024, the District's investments with respective maturities and credit ratings consisted of the following:

	<u>Fair Value</u>	<u>Percent</u>	<u>Weighted Average Maturity</u>	<u>Credit Rating</u>
<u>Public Funds Investment Pools</u>				
Lone Star				
Corporate Overnight Fund	\$ 2,111,210	38%	39 Days	AAAm
Texas CLASS	9,081	-	35 Days	AAAm
TexPool	<u>3,466,472</u>	<u>62%</u>	36 Days	AAAm
Total Public Funds Investment Pools	<u><u>\$ 5,586,763</u></u>	<u><u>100%</u></u>		

IRAAN-SHEFFIELD COLLEGIATE INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2024

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

A. Deposits and Investments - Continued

Public Funds Investment Pools

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

The District's investment in Pools is reported at an amount determined by the fair value per share of the Pool's underlying portfolio, unless the Pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940.

B. Due from 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 from the State through the School Foundation and Per Capita Programs. Amounts due from other governments are summarized as follows:

	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>Other</u>	<u>Total</u>
General Fund	\$ 73,499	\$ 11,383	\$ 159,683	\$ 244,565
Special Revenue Funds	<u>0</u>	<u>1,947</u>	<u>0</u>	<u>1,947</u>
Totals	<u><u>\$ 73,499</u></u>	<u><u>\$ 13,330</u></u>	<u><u>\$ 159,683</u></u>	<u><u>\$ 246,512</u></u>

IRAAN-SHEFFIELD COLLEGIATE INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2024

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

C. Interfund Balances and Transfers

1. The following is a summary of amounts due from and due to other funds:

	<u>Due From</u>	<u>Due To</u>	<u>Purpose</u>
General Fund			
Debt Service Fund	\$ 0	\$ 53,792	Tax Allocation
Major Special Revenue Fund	189,921	0	Operating Advance
Nonmajor Governmental Funds	35,748	0	Operating Advance
Internal Service Funds	0	130,136	Operating Advance
Fiduciary Fund	<u>3,167</u>	<u>0</u>	Operating Advance
	<u>\$ 228,836</u>	<u>\$ 183,928</u>	
Debt Service Fund			
General Fund	53,792	0	Tax Allocation
Major Special Revenue Fund			
General Fund	0	189,921	Operating Advance
Nonmajor Governmental Funds			
General Fund	0	35,748	Operating Advance
Internal Service Funds			
General Fund	130,136	0	Operating Advance
Fiduciary Fund			
General Fund	<u>0</u>	<u>3,167</u>	Operating Advance
Totals	<u><u>\$ 412,764</u></u>	<u><u>\$ 412,764</u></u>	

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

2. Interfund transfers consist of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	General Fund - Child Nutrition	\$ 133,784	Subsidize Food Services
Internal Service Fund	General Fund	<u>389,784</u>	Subsidize Operations
Total		<u><u>\$ 523,568</u></u>	

IRAAN-SHEFFIELD COLLEGIATE INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2024

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

D. Capital Assets

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

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets				
Land	\$ 66,772	\$ 0	\$ 0	\$ 66,772
Buildings and Improvements	47,183,730	2,445,787	325,171	49,304,346
Furniture and Equipment	<u>3,292,181</u>	<u>149,201</u>	<u>433,505</u>	<u>3,007,877</u>
Total Capital Assets	<u>\$ 50,542,683</u>	<u>\$ 2,594,988</u>	<u>\$ 758,676</u>	<u>\$ 52,378,995</u>
Less Accumulated Depreciation				
Buildings and Improvements	\$ (18,417,552)	\$ (1,240,375)	\$ (150,072)	\$ (19,507,855)
Furniture and Equipment	<u>(2,046,077)</u>	<u>(176,762)</u>	<u>(421,789)</u>	<u>(1,801,050)</u>
Total Accumulated Depreciation	<u>\$ (20,463,629)</u>	<u>\$ (1,417,137)</u>	<u>\$ (571,861)</u>	<u>\$ (21,308,905)</u>
Total Capital Assets Being Depreciated, Net	<u><u>\$ 30,079,054</u></u>	<u><u>\$ 1,177,851</u></u>	<u><u>\$ 186,815</u></u>	<u><u>\$ 31,070,090</u></u>

Depreciation expense was charged to governmental activities functions as follows:

Instruction	\$ 706,143
Instructional Resources and Media Services	17,500
School Leadership	145,113
Guidance, Counseling, and Evaluation Services	50,021
Health Services	36,936
Student (Pupil) Transportation	6,153
Food Services	54,006
Extracurricular Activities	54,256
General Administration	111,939
Facilities Maintenance and Operations	156,814
Data Processing Services	57,439
Community Services	<u>20,817</u>
Total	<u><u>\$ 1,417,137</u></u>

IRAAN-SHEFFIELD COLLEGIATE INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2024

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

E. Deferred Outflows and Inflows of Resources

A deferred outflow of resources is a consumption of a government's net position (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period.

A deferred inflow of resources is an acquisition of a government's net position (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period.

Deferred outflows and inflows of resources are reported as described below:

Deferred Outflows (Statement of Net Position)

District's proportionate share of Teacher Retirement System of Texas (TRS) pension plan deferred outflows as detailed in financial statement footnote IV., A.

District's proportionate share of Teacher Retirement System of Texas (TRS) OPEB plan deferred outflows as detailed in financial statement footnote IV., B.

Deferred Inflows (Statement of Net Position)

District's proportionate share of Teacher Retirement System of Texas (TRS) pension plan deferred inflows as detailed in financial statement footnote IV., A.

District's proportionate share of Teacher Retirement System of Texas (TRS) OPEB plan deferred inflows as detailed in financial statement footnote IV., B.

Deferred Inflows (Balance Sheet - Governmental Funds)

Unavailable revenue - property taxes.

F. Due to Other Governments

Amounts due to other governments are summarized as follows:

	Special Revenue Funds
Grant Refunds	<u>\$ 10,883</u>

IRAAN-SHEFFIELD COLLEGIATE INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2024

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

G. Unearned Revenue

Unearned revenue at year end consisted of the following:

	<u>General Fund</u>
Food Service (Local)	<u>\$ 46,441</u>

H. Long-Term Debt

The District's long-term liabilities consist of bonded indebtedness, unamortized bond premium, a maintenance tax note, net pension liability, and net other postemployment benefits liability. The current requirements for general obligation bonds principal and interest are accounted for in the Debt Service Fund. The current requirements for the net pension liability and net other postemployment benefits liability are accounted for in the General and Special Revenue Funds.

The following is a summary of changes in long-term debt for the year ended August 31, 2024:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Unlimited Tax Refunding Bonds	\$ 2,081,000	\$ 0	\$ 2,081,000	\$ 0	\$ 0
Unlimited Tax School Building Bonds	7,165,000	0	3,115,000	4,050,000	545,000
Unamortized Bond Premium	800,941	0	351,718	449,223	-
Maintenance Tax Note, Series 2024 (Direct Placement)	<u>0</u>	<u>1,532,000</u>	<u>0</u>	<u>1,532,000</u>	<u>120,000</u>
Subtotals	\$ 10,046,941	\$ 1,532,000	\$ 5,547,718	\$ 6,031,223	\$ 665,000
Net Pension Liability	1,417,937	346,267	122,828	1,641,376	-
Net OPEB Liability	<u>959,316</u>	<u>117,011</u>	<u>141,157</u>	<u>935,170</u>	<u>-</u>
Totals	<u>\$ 12,424,194</u>	<u>\$ 1,995,278</u>	<u>\$ 5,811,703</u>	<u>\$ 8,607,769</u>	<u>\$ 665,000</u>

The District's outstanding bond issues, which are payable from the Debt Service Fund, are as follows:

<u>Series</u>	<u>General Obligation Bonds Description</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Original Amount Issued</u>	<u>Amount Outstanding August 31, 2024</u>
2019	Unlimited Tax School Building Bonds	3%-5%	2031	<u>\$ 9,000,000</u>	<u>\$ 4,050,000</u>

During each year while bonds are outstanding, the District is required to levy and collect sufficient ad valorem taxes to provide for the payment of principal and interest as it becomes due. In case of default by the District in the payment of principal of and/or interest on the bonds, and in accordance with Texas Education Code 45.061, the Comptroller will withhold the amount paid, plus interest, under guarantee, from the first state money payable to the District in the following order: foundation school fund, available school fund.

IRAAN-SHEFFIELD COLLEGIATE INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2024

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

H. Long-Term Debt - Continued

The District's outstanding maintenance tax note, which is payable from the General Fund, is as follows:

Maintenance Tax Note (Direct Placement)		Interest Rate	Maturity Date	Original Amount Issued	Amount Outstanding August 31, 2024
Series	Description				
2024	Building Improvements or Expenses	5.4%	2034	<u>\$ 1,532,000</u>	<u>\$ 1,532,000</u>

During each year while the maintenance tax note is outstanding, the District is required to budget an amount necessary to pay the tax note out of maintenance taxes and other revenues and funds lawfully available. In case of default the lender will proceed against the District with legal action for any relief permitted by law.

The combined annual debt service requirements are as follows:

Year Ending August 31,	General Obligation Bonds		Maintenance Tax Note (Direct Placement)		Total
	Principal	Interest	Principal	Interest	
2025	\$ 545,000	\$ 159,525	\$ 120,000	\$ 82,728	\$ 907,253
2026	570,000	131,650	125,000	76,248	902,898
2027	600,000	105,400	133,000	69,498	907,898
2028	625,000	80,900	140,000	62,316	908,216
2029	650,000	55,400	148,000	54,756	908,156
2030-2034	<u>1,060,000</u>	<u>36,600</u>	<u>866,000</u>	<u>145,260</u>	<u>2,107,860</u>
Totals	<u>\$ 4,050,000</u>	<u>\$ 569,475</u>	<u>\$ 1,532,000</u>	<u>\$ 490,806</u>	<u>\$ 6,642,281</u>

On August 27, 2024, the District used cash on hand of \$861,121 to redeem \$860,000 of the Unlimited Tax School Refunding Bonds, Series 2013. As a result of this redemption the District achieved a cash flow benefit of \$16,579 from the reduction in interest.

On August 27, 2024, the District deposited cash on hand of \$2,663,742 into an escrow fund to advance refund, through an in-substance defeasance, \$2,595,000 of the Unlimited Tax School Building Bonds, Series 2019. These funds are invested in U.S. Treasury Securities, and the escrow fund is not authorized to substitute assets that are not essentially risk-free. As a result, this portion of the Series 2019 bonds are considered to be defeased, and the escrow assets and the liability for the bonds have been removed from these financial statements. The District achieved a cash flow benefit of \$778,828 from the reduction in interest. At August 31, 2024, \$2,595,000 of the defeased bonds remained outstanding. This balance is scheduled to be paid in full on August 31, 2026.

I. Outstanding Encumbrances

There were no outstanding encumbrances that were provided for in the subsequent year's budget.

IRAAN-SHEFFIELD COLLEGIATE INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2024

III. DETAIL NOTES ON ALL ACTIVITIES AND FUNDS - Continued

J. Revenues from Local and Intermediate Sources

Local and intermediate source revenues consists of the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Special Revenue Funds	Total
Property Taxes	\$ 9,580,553	\$ 3,615,800	\$ 0	\$ 0	\$ 13,196,353
Chapter 313 Agreements	418,222	0	0	0	418,222
Tuition and Fees	25,217	0	0	0	25,217
Other Local Sources	1,698,717	8,201	3	12,128	1,719,049
Cocurricular, Enterprising Services, or Activities	<u>39,650</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>39,650</u>
Totals	<u>\$ 11,762,359</u>	<u>\$ 3,624,001</u>	<u>\$ 3</u>	<u>\$ 12,128</u>	<u>\$ 15,398,491</u>

K. General Fund Federal Source Revenues

<u>Program or Source</u>	<u>Federal Assistance Listing Number</u>	<u>Amount</u>
School Health and Related Services (SHARS)	--	\$ 6,791
COVID-19 Public Health Crisis Response	93.354	51,459
School Breakfast Program	10.553	36,093
National School Lunch Program - Cash Assistance	10.555	89,556
USDA Commodities	10.555	15,603
Supply Chain Assistance Grant	10.555	<u>15,298</u>
Total		<u>\$ 214,800</u>

IV. OTHER INFORMATION

A. Defined Benefit Pension Plan

Summary of Significant Accounting Policies - 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.

IRAAN-SHEFFIELD COLLEGIATE INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2024

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Plan Description - The Iraan-Sheffield Collegiate Independent School District participates in a cost-sharing multiple-employer 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 that includes financial statements and required supplementary information. That report may be obtained on the Internet at http://www.trs.texas.gov/pages/about_publication.aspx; by writing to TRS at 1000 Red River Street, Austin, Texas 78701-2698; or by calling (512)542-6592.

Benefits Provided - TRS provides service and disability retirement, as well as death and survivor benefits to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3% (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 postemployment benefit changes; including automatic COLAs. Ad hoc postemployment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

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

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

Employee contribution rates are set in state statute, Texas Government Code Section 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.

IRAAN-SHEFFIELD COLLEGIATE INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2024

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

The following table shows contribution rates by type of contributor for the fiscal years 2023 and 2024:

Contribution Rates		
	<u>2023</u>	<u>2024</u>
Member	8.00%	8.25%
Non-Employer Contributing Entity (State)	8.00%	8.25%
Employers	8.00%	8.25%
District's 2024 Employer Contributions		\$ 128,871
District's 2024 Member Contributions		280,082
District's 2023 NECE On-Behalf Contributions		212,756

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. 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, 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 schools, junior colleges, other entities, or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

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

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

- All public schools, charter schools, and regional education service centers must contribute 1.8% of the member's salary beginning in fiscal year 2023, gradually increasing to 2% in fiscal year 2025. This surcharge amount is 1.9% for fiscal year 2024.
- 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.

IRAAN-SHEFFIELD COLLEGIATE INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2024

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

Actuarial Assumptions -

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

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

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

Discount Rate - A single discount rate of 7% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7%. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers, and the non-employer contributing entity will be made at the rates set by the Legislature during the 2019 session. It is assumed that future employer and state contributions will be 9.50% of payroll in fiscal year 2024 increasing to 9.56% 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.

IRAAN-SHEFFIELD COLLEGIATE INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2024

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

The long-term expected rate of return on pension plan investments is 7%. 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, 2023, are presented in the following Asset Allocations table:

<u>Asset Class¹</u>	<u>Target Allocation² %</u>	<u>Long-Term Expected Geometric Real Rate of Return³</u>	<u>Expected Contribution to Long-Term Portfolio Returns</u>
Global Equity			
USA	18.0%	4.0%	1.0%
Non-U.S. Developed	13.0%	4.5%	0.9%
Emerging Markets	9.0%	4.8%	0.7%
Private Equity	14.0%	7.0%	1.5%
Stable Value			
Government Bonds	16.0%	2.5%	0.5%
Absolute Return	0.0%	3.6%	0.0%
Stable Value Hedge Funds	5.0%	4.1%	0.2%
Real Return			
Real Estate	15.0%	4.9%	1.1%
Energy, Natural Resources, and Infrastructure	6.0%	4.8%	0.4%
Commodities	0.0%	4.4%	0.0%
Risk Parity	8.0%	4.5%	0.4%
Asset Allocation Leverage			
Cash	2.0%	3.7%	0.0%
Asset Allocation Leverage	-6.0%	4.4%	-0.1%
Inflation Expectation			2.3%
Volatility Drag ⁴			-0.9%
Expected Return	100.0%		8.0%

¹ Absolute Return includes Credit Sensitive Investments.

² Target Allocation are based on the FY 2023 policy model.

³ Capital Market Assumptions come from Aon Hewitt (as of June 30, 2023).

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

IRAAN-SHEFFIELD COLLEGIATE INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2024

IV. OTHER INFORMATION - Continued

A. 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%, and what the net pension liability would be if it were calculated using a discount rate that is 1% lower (6%) or 1% higher (8%) than the current rate:

	1% Decrease in Discount Rate (6%)	Discount Rate (7%)	1% Increase in Discount Rate (8%)
District's Proportionate Share of the Net Pension Liability	<u>\$ 2,453,948</u>	<u>\$ 1,641,376</u>	<u>\$ 965,722</u>

Defined Benefit Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At August 31, 2024, the Iraan-Sheffield Collegiate Independent School District reported a net pension liability of \$1,641,376 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's Proportionate Share of the Collective Net Pension Liability	\$ 1,641,376
State's Proportionate Share that is Associated with the District	<u>2,843,108</u>
Total	<u>\$ 4,484,484</u>

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

At August 31, 2023, the employer's proportion of the collective net pension liability was 0.0023895296% which was an increase of 0.0000011205% from its proportion measured as of August 31, 2022.

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

For the year ended August 31, 2024, the Iraan-Sheffield Collegiate Independent School District recognized pension expense of \$429,285 and revenue of \$429,285 for support provided by the State in the government-wide statement of activities.

IRAAN-SHEFFIELD COLLEGIATE INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2024

IV. OTHER INFORMATION - Continued

A. Defined Benefit Pension Plan - Continued

At August 31, 2024, the Iraan-Sheffield Collegiate 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Actuarial Experience	\$ 58,483	\$ 19,875
Changes in Actuarial Assumptions	155,242	37,991
Net Difference Between Projected and Actual Investment Earnings	238,860	-
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	120,974	41,302
Contributions Paid to TRS Subsequent to the Measurement Date	<u>128,871</u>	<u>-</u>
Totals	<u><u>\$ 702,430</u></u>	<u><u>\$ 99,168</u></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 pensions will be recognized by the District in pension expense as follows:

<u>Year Ending August 31,</u>	<u>Pension Expense Amount</u>
2025	\$ 103,471
2026	73,937
2027	221,456
2028	69,393
2029	6,134
Thereafter	0

B. Defined Other Postemployment Benefit Plans

Summary of Significant Accounting Policies - 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 postemployment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS-Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

IRAAN-SHEFFIELD COLLEGIATE INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2024

IV. OTHER INFORMATION - Continued

B. Defined Other Postemployment Benefit Plans - Continued

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

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

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

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

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in 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 postemployment benefit changes, including automatic COLAs.

The premium rates for retirees are presented in the following table:

TRS-Care Monthly Premium Rates

	<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 school districts based upon public school district payroll. The TRS Board of Trustees does not have the authority to set or amend contribution rates.

IRAAN-SHEFFIELD COLLEGIATE INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2024

IV. OTHER INFORMATION - Continued

B. Defined Other Postemployment Benefit Plans - 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 pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public or charter school. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor:

Contribution Rates		
	<u>2023</u>	<u>2024</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding Remitted by Employers	1.25%	1.25%
District's 2024 Employer Contributions		\$ 35,009
District's 2024 Member Contributions		22,067
District's 2023 NECE On-Behalf Contributions		44,217

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.

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

Actuarial Assumptions - The actuarial valuation was performed as of August 31, 2022. Update procedures were used to rolled forward the total OPEB liability to August 31, 2023. The actuarial valuation was determined using the following actuarial assumptions.

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

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

IRAAN-SHEFFIELD COLLEGIATE INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2024

IV. OTHER INFORMATION - Continued

B. Defined Other Postemployment Benefit Plans - Continued

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

The following table discloses the actuarial methods and assumptions that were applied to this measurement period:

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

The initial medical trend rates were 8.50% for Medicare retirees and 7.25% for non-Medicare retirees. There was an initial prescription drug trend rate of 8.25% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 13 years.

Discount Rate - A single discount rate of 4.13% was used to measure the total OPEB liability. This was an increase of 0.22% in the discount rate since the previous year. Because the investments are held in cash and there is no intentional objective to advance fund the benefits, the Single Discount Rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate is the Fidelity "20-year Municipal GO AA Index" as of August 31, 2023, using the Fixed Income Market Data/Yield Curve/ Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

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 (4.13%) in measuring the net OPEB liability:

	1% Decrease in Discount Rate (3.13%)	Discount Rate (4.13%)	1% Increase in Discount Rate (5.13%)
District's Proportionate Share of the Net OPEB Liability	<u>\$ 1,101,435</u>	<u>\$ 935,170</u>	<u>\$ 799,493</u>

IRAAN-SHEFFIELD COLLEGIATE INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2024

IV. OTHER INFORMATION - Continued

B. Defined Other Postemployment Benefit Plans - Continued

Healthcare Cost Trend Rates Sensitivity Analysis - The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% lower or 1% higher than the assumed healthcare cost trend rate:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
District's Proportionate Share of the Net OPEB Liability	<u>\$ 770,065</u>	<u>\$ 935,170</u>	<u>\$ 1,147,577</u>

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs - At August 31, 2024, the Iraan-Sheffield Collegiate Independent School District reported a liability of \$935,170 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's Proportionate Share of the Collective Net OPEB Liability	\$ 935,170
State's Proportionate Share that is Associated with the District	<u>1,128,426</u>
Total	<u>\$ 2,063,596</u>

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

At August 31, 2023, the employer's proportion of the collective net OPEB liability was 0.0042242152% which was an increase of 0.0002177177% from its proportion measured as of August 31, 2022.

Changes of Actuarial Assumptions Since the Prior Actuarial Valuation - The discount rate changed from 1.95% as of August 31, 2022 to 3.91% as of August 31, 2023. This change decreased the total OPEB liability.

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

For the year ended August 31, 2024, the Iraan-Sheffield Collegiate Independent School District recognized OPEB expense of \$(241,234) and revenue of \$(241,234) for support provided by the State.

IRAAN-SHEFFIELD COLLEGIATE INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2024

IV. OTHER INFORMATION - Continued

B. Defined Other Postemployment Benefit Plans - Continued

At August 31, 2024, the Iraan-Sheffield Collegiate Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other postemployment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Actuarial Experience	\$ 42,309	\$ 786,768
Changes in Actuarial Assumptions	127,644	572,629
Net Difference Between Projected and Actual Investment Earnings	404	-
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	738,600	1,040,174
Contributions Paid to TRS Subsequent to the Measurement Date	<u>35,009</u>	<u>-</u>
Totals	<u>\$ 943,966</u>	<u>\$ 2,399,571</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:

Year Ending August 31,	OPEB Expense Amount
2025	\$ (315,666)
2026	(272,773)
2027	(214,704)
2028	(336,259)
2029	(230,118)
Thereafter	(121,094)

C. Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care receives retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended August 31, 2024, August 31, 2023, and August 31, 2022, the subsidy payments received by TRS-Care on behalf of the District were \$18,525, \$17,319, and \$13,850, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements.

IRAAN-SHEFFIELD COLLEGIATE INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2024

IV. OTHER INFORMATION - Continued

D. Health Care Coverage

The District participates in TRS-Active Care sponsored by the Teacher Retirement System of Texas. TRS-Active Care (the Plan) provides health care coverage to employees (and their dependents) of participating public education entities. Optional life and long-term care insurance are also provided to active members and retirees. Authority for the Plan can be found in the Texas Insurance Code, Title 8, Subtitle H, Chapter 1579 and in the Texas Administrative Code, Title 34, Part 3, Chapter 41. The Plan began operations on September 1, 2002. This is a premium-based plan. Payments are made on a monthly basis for all covered employees.

E. Risk Management

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

F. Contingencies

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 collectibility 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.

G. Tax Abatements

The Iraan-Sheffield Collegiate Independent School District's Board of Trustees approved Agreements with West Texas Solar I, East Pecos Solar, Midway Solar, and RE Maplewood for a Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes pursuant to the Chapter 313 of the Texas Tax Code. Value limitation agreements are a part of a state program originally created in 2001 which allows school districts to limit the taxable value of an approved project for Maintenance and Operations (M&O) for a period of years specified in statute. The project(s) must be consistent with the state's goal to "encourage large scale capital investments in this state." Chapter 313 grants eligibility to companies engaged in manufacturing, research and development, renewable electric energy production, clean coal projects, nuclear power generation, and Texas Priority projects. These entities qualified for tax limitation agreements under the Texas Tax Code §313.024(b)(5), as renewable energy electric generation projects.

The applications, the Agreements, and state reporting requirement documentation can be viewed at the Texas Comptroller's website: <https://www.comptroller.texas.gov/economy/local/ch313/agreement-docs.php>. The Agreements and all supporting documentation were assigned Texas Comptroller Application No. 1020, 1059, 1170 and 1233, respectively.

The applicants have been required to meet a series of capital investment, job creation, and wage requirements specified by state law. At the time of the applications' approval, it was determined by both the District's Board of Trustees and the Texas Comptroller's Office that the projects would meet these standards. After approval, the applicant companies must maintain a viable presence in the District for the entire period of the value limitation plus a period of years thereafter. In addition, there are specific reporting requirements, which are monitored on an annual and biennial basis in order to ensure relevant job, wage, and operational requirements are being met.

IRAAN-SHEFFIELD COLLEGIATE INDEPENDENT SCHOOL DISTRICT
Notes to the Financial Statements - Continued
August 31, 2024

IV. OTHER INFORMATION - Continued

G. Tax Abatements - Continued

In the event that any company terminates its Agreement without the consent of the District, or in the event that the any company or its successor-in-interest fails to comply in any material respect with the terms of the Agreement or to meet any material obligations under the Agreement, then the District shall be entitled to the recapture of all ad valorem tax revenue lost as a result of the Agreement together with the payment of penalty and interest on that recaptured ad valorem tax revenue. Penalties on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code §33.01(a), or its successor statute. Interest on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code §33.01(c), or its successor statute. The Agreement provides an administrative procedure to determine any company liability. Ultimately, enforcement of any payment obligation is through the local state district court.

	A	B	C	D	E	F	G
			Amount of	Amount of	Company	Company	Net Benefit
		Project's Value	Applicant's	Applicant's	Revenue Loss	Supplemental	(Loss) to
Project Name	Project	Limitation	M&O Taxes	M&O Taxes	Payment	Payment to	the School
	Value 2023	Amount 2023	Paid 2023	Reduced 2023	to School	School	District 2023
					District 2023	District 2023	(C+E+F)
West Texas Solar I	\$ 144,337,992	\$ 25,000,000	\$ 175,300	\$ 836,798	\$ 205,301	\$ 50,700	\$ 431,301
East Pecos Solar	668,960,354	30,000,000	201,360	273,190	0	50,700	252,060
Midway Solar	78,779,949	30,000,000	201,360	342,045	0	51,800	253,160
RE Maplewood	185,933,828	30,000,000	201,360	1,093,408	0	59,721	261,081

H. Adjustments to Net Position/Fund Balances

The financial statements reflect the following prior period adjustments:

	August 31, 2023 as Previously Reported	Prior Year Correction (A)	Prior Year Correction (B)	August 31, 2023 as Restated
Government-Wide				
Governmental Activities	<u>\$ 24,290,812</u>	<u>\$ (17,975)</u>	<u>\$ (11,696)</u>	<u>\$ 24,261,141</u>
Governmental Funds				
Major Funds				
General Fund	<u>\$ 3,959,236</u>	<u>\$ (17,975)</u>	<u>\$ (11,696)</u>	<u>\$ 3,929,565</u>

(A) Adjustment to prior year accounts payable.

(B) Adjustment to prior year due from Special Revenue Funds.

I. Subsequent Events

The District's management has evaluated subsequent events through January 13, 2025, the date which the financial statements were available for issue.

Required Supplementary Information

IRAAAN-SHEFFIELD COLLEGIATE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2024

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 9,769,111	\$ 11,617,156	\$ 11,762,359	\$ 145,203
5800 State Program Revenues	676,415	423,573	436,316	12,743
5900 Federal Program Revenues	415,294	257,294	214,800	(42,494)
5020 Total Revenues	10,860,820	12,298,023	12,413,475	115,452
EXPENDITURES:				
Current:				
0011 Instruction	2,228,036	2,741,646	2,427,623	314,023
0012 Instructional Resources and Media Services	70,984	70,984	61,690	9,294
0013 Curriculum and Instructional Staff Development	10,000	10,000	10,000	-
0023 School Leadership	466,117	496,117	501,356	(5,239)
0031 Guidance, Counseling, and Evaluation Services	182,843	72,843	62,931	9,912
0033 Health Services	138,524	153,524	149,946	3,578
0034 Student (Pupil) Transportation	96,500	111,500	97,608	13,892
0035 Food Services	282,700	342,700	324,862	17,838
0036 Extracurricular Activities	333,806	385,806	380,343	5,463
0041 General Administration	576,767	704,767	761,169	(56,402)
0051 Facilities Maintenance and Operations	1,098,225	1,338,225	1,325,523	12,702
0052 Security and Monitoring Services	29,500	9,500	13,437	(3,937)
0053 Data Processing Services	252,634	344,634	341,682	2,952
0061 Community Services	70,345	70,345	70,075	270
Debt Service:				
0071 Principal on Long-Term Liabilities	29,000	-	-	-
0073 Bond Issuance Cost and Fees	-	32,000	32,000	-
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	2,419,793	2,367,280	52,513
Intergovernmental:				
0091 Contracted Instructional Services Between Schools	4,745,923	4,860,923	4,558,170	302,753
0093 Payments to Fiscal Agent/Member Districts of SSA	144,416	159,416	158,887	529
0099 Other Intergovernmental Charges	105,000	105,000	70,522	34,478
6030 Total Expenditures	10,861,320	14,429,723	13,715,104	714,619
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(500)	(2,131,700)	(1,301,629)	830,071
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	95,000	330,000	333,129	3,129
7914 Maintenance Tax Notes Proceeds	-	1,532,000	1,532,000	-
7915 Transfers In	-	125,000	523,568	398,568
8911 Transfers Out (Use)	(95,000)	(110,000)	(133,784)	(23,784)
7080 Total Other Financing Sources (Uses)	-	1,877,000	2,254,913	377,913
1200 Net Change in Fund Balances	(500)	(254,700)	953,284	1,207,984
0100 Fund Balance - September 1 (Beginning)	3,959,236	3,959,236	3,959,236	-
1300 Adjustments and Restatements	-	-	(29,671)	(29,671)
3000 Fund Balance - August 31 (Ending)	\$ 3,958,736	\$ 3,704,536	\$ 4,882,849	\$ 1,178,313

IRAAN-SHEFFIELD COLLEGIATE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2024

	FY 2024 Plan Year 2023	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021
District's Proportion of the Net Pension Liability (Asset)	0.00238953%	0.002388409%	0.002217071%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 1,641,376	\$ 1,417,937	\$ 564,610
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	2,843,108	2,498,871	1,014,268
Total	<u>\$ 4,484,484</u>	<u>\$ 3,916,808</u>	<u>\$ 1,578,878</u>
District's Covered Payroll	\$ 3,387,546	\$ 3,298,461	\$ 2,935,479
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	48.45%	42.99%	19.23%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.15%	75.62%	88.79%

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

FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
0.002155996%	0.00189682%	0.002406236%	0.001946198%	0.002171782%	0.0019837%	0.0024132%
\$ 1,154,708	\$ 986,027	\$ 1,324,451	\$ 622,289	\$ 820,684	\$ 701,212	\$ 644,600
2,297,473	2,849,467	3,514,007	2,174,987	2,904,340	3,093,961	2,576,954
\$ 3,452,181	\$ 3,835,494	\$ 4,838,458	\$ 2,797,276	\$ 3,725,024	\$ 3,795,173	\$ 3,221,554
\$ 2,951,716	\$ 3,755,238	\$ 4,213,089	\$ 4,206,424	\$ 4,555,323	\$ 4,569,157	\$ 4,460,602
39.12%	26.26%	31.44%	14.79%	18.02%	15.35%	14.45%
75.54%	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

IRAA N-SHEFFIELD COLLEGIATE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2024

	2024	2023	2022
Contractually Required Contribution	\$ 128,871	\$ 124,427	\$ 112,963
Contribution in Relation to the Contractually Required Contribution	(128,871)	(124,427)	(112,963)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 3,394,933	\$ 3,387,546	\$ 3,298,461
Contributions as a Percentage of Covered Payroll	3.80%	3.67%	3.42%

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

2021	2020	2019	2018	2017	2016	2015
\$ 99,355	\$ 87,431	\$ 67,624	\$ 82,066	\$ 63,785	\$ 69,003	\$ 60,902
(99,355)	(87,431)	(67,624)	(82,066)	(63,785)	(69,003)	(60,902)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 2,935,479	\$ 2,951,716	\$ 3,755,238	\$ 4,213,089	\$ 4,206,424	\$ 4,555,323	\$ 4,569,157
3.38%	2.96%	1.80%	1.95%	1.52%	1.52%	1.33%

IRAAN-SHEFFIELD COLLEGIATE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2024

	FY 2024 Plan Year 2023	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.004224215%	0.004006498%	0.003707245%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 935,170	\$ 959,316	\$ 1,430,050
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	1,128,426	1,170,215	1,915,948
Total	<u>\$ 2,063,596</u>	<u>\$ 2,129,531</u>	<u>\$ 3,345,998</u>
District's Covered Payroll	\$ 3,387,546	\$ 3,298,461	\$ 2,935,479
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	27.61%	29.08%	48.72%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	14.94%	11.52%	6.18%

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

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

FY 2021 Plan Year 2020		FY 2020 Plan Year 2019		FY 2019 Plan Year 2018		FY 2018 Plan Year 2017	
0.003309696%		0.005263038%		0.006530628%		0.004952095%	
\$	1,258,165	\$	2,488,955	\$	3,260,802	\$	2,153,481
1,690,672		3,307,265		3,588,305		3,282,095	
\$	2,948,837	\$	5,796,220	\$	6,849,107	\$	5,435,576
\$	2,951,716	\$	3,755,238	\$	4,213,089	\$	4,206,424
42.62%		66.28%		77.40%		51.20%	
4.99%		2.66%		1.57%		0.91%	

IRAAN-SHEFFIELD COLLEGIATE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR THE YEAR ENDED AUGUST 31, 2024

	2024	2023	2022
Contractually Required Contribution	\$ 35,009	\$ 37,233	\$ 33,474
Contribution in Relation to the Contractually Required Contribution	(35,009)	(37,233)	(33,474)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 3,394,933	\$ 3,387,546	\$ 3,298,461
Contributions as a Percentage of Covered Payroll	1.03%	1.10%	1.01%

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

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

2021	2020	2019	2018
\$ 30,388	\$ 24,104	\$ 30,947	\$ 34,848
(30,388)	(24,104)	(30,947)	(34,848)
\$ -	\$ -	\$ -	\$ -
\$ 2,935,479	\$ 2,951,716	\$ 3,755,238	\$ 4,213,089
1.04%	0.82%	0.82%	0.83%

IRAAN-SHEFFIELD COLLEGIATE INDEPENDENT SCHOOL DISTRICT
Notes to the Required Supplementary Information
August 31, 2024

Note A - TRS Pension Plan

Changes of Benefit Terms

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

Changes of Assumptions

There were no changes of assumptions since the prior measurement date.

Note B - TRS OPEB Plan

Changes of Benefit Terms

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

Changes of Assumptions

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

Other Supplementary Information

IRAAN-SHEFFIELD COLLEGIATE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2024

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2015 and prior years	Various	Various	\$ Various
2016	1.060000	0.090000	1,305,650,456
2017	1.060000	0.110000	970,859,245
2018	1.060000	0.110000	1,309,652,500
2019	1.060000	0.110000	1,185,196,391
2020	0.990000	0.150000	1,558,556,387
2021	0.976400	0.150000	1,061,890,794
2022	0.973400	0.150000	841,990,835
2023	0.864600	0.150000	1,270,823,981
2024 (School year under audit)	0.701200	0.208800	1,442,895,508
1000 TOTALS			
8000 Total Taxes Refunded Under Section 26.1115, Tax Code			

(10) Beginning Balance 9/1/2023	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2024	(99) Taxes Refunded Under Section 26.1115c
\$ 101,631	\$ -	\$ 639	\$ 37	\$ (3,251)	\$ 97,704	
40,105	-	352	49	(209)	39,495	
14,390	-	557	58	(212)	13,563	
17,966	-	695	72	(212)	16,987	
27,558	-	1,042	108	(421)	25,987	
61,034	-	7,549	1,024	(410)	52,051	
56,953	-	4,613	709	(485)	51,146	
74,986	-	9,468	1,459	(1,011)	63,048	
150,223	-	36,493	6,779	(3,215)	103,736	
-	13,130,349	9,432,084	3,582,317	-	115,948	
<u>\$ 544,846</u>	<u>\$ 13,130,349</u>	<u>\$ 9,493,492</u>	<u>\$ 3,592,612</u>	<u>\$ (9,426)</u>	<u>\$ 579,665</u>	

\$ -

IRAAAN-SHEFFIELD COLLEGIATE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2024

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 2,080,880	\$ 2,080,880	\$ 3,624,001	\$ 1,543,121
5800 State Program Revenues	-	-	21,639	21,639
5020 Total Revenues	2,080,880	2,080,880	3,645,640	1,564,760
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Liabilities	1,741,000	5,196,000	5,196,000	-
0072 Interest on Long-Term Liabilities	339,380	407,092	407,092	-
0073 Bond Issuance Cost and Fees	500	29,010	26,510	2,500
6030 Total Expenditures	2,080,880	5,632,102	5,629,602	2,500
1200 Net Change in Fund Balances	-	(3,551,222)	(1,983,962)	1,567,260
0100 Fund Balance - September 1 (Beginning)	2,564,370	2,564,370	2,564,370	-
3000 Fund Balance - August 31 (Ending)	\$ 2,564,370	\$ (986,852)	\$ 580,408	\$ 1,567,260

IRAA N-SHEFFIELD COLLEGIATE INDEPENDENT SCHOOL DISTRICT
STATE COMPENSATORY EDUCATION AND BILINGUAL EDUCATION PROGRAM EXPENDITURES
FOR THE YEAR ENDED AUGUST 31, 2024

Section A: Compensatory Education Programs

AP1	Did your district expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the district have written policies and procedures for its state compensatory education program?	Yes
AP3	Total state allotment funds received for state compensatory education programs during the district's fiscal year.	296482
AP4	Actual direct program expenditures for state compensatory education programs during the district's fiscal year. (PICs 24,26,28,29,30)	239235

Section B: Bilingual Education Programs

AP5	Did your district expend any bilingual education program state allotment funds during the district's fiscal year?	Yes
AP6	Does the district have written policies and procedures for its bilingual education program?	Yes
AP7	Total state allotment funds received for bilingual education programs during the district's fiscal year.	27232
AP8	Actual direct program expenditures for bilingual education programs during the district's fiscal year. (PIC 25)	19243

COMPLIANCE AND INTERNAL CONTROLS SECTION



A Limited Liability Partnership

Michael E. Oliphant, CPA
Wayne Barr, CPA
Cathryn A. Pitcock, CPA
Megan Solsbery, CPA

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Members of
American Institute of CPAs
Texas Society of CPAs

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

Board of Trustees
Iraan-Sheffield Collegiate Independent School District
P.O. Box 486
Iraan, TX 79744-0486

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Iraan-Sheffield Collegiate Independent School District as of and for the year ended August 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 13, 2025.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eckert & Company, LLP

January 13, 2025

IRAAN-SHEFFIELD COLLEGIATE INDEPENDENT SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended August 31, 2024

A. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued

Unmodified

Internal Control Over Financial Reporting

Material weaknesses identified?

___ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses?

___ Yes X None Reported

Noncompliance material to financial statements noted?

___ Yes X No

B. Findings - Financial Statements Audit

None

C. Findings - State Compliance

None

Iraan-Sheffield Collegiate Independent School District

Mr. Gary Laramore - Superintendent

Excellence: Every Student, Every Classroom, Every Day

Call Barnard - Principal, Iraan High School
Berry Bowman - Principal, Iraan JH School
Ashlee Allen - Principal, Iraan Elementary
Berry Bowman - Head Coach, Athletic Director

Board of Trustees
Tory Cox - President
Jodi Cravens - Vice-President
Ollie Schneemann - Secretary
Margaret Holmes
Jeffery McMahon
Bobby Scalzo
Cody Strube

Schedule of Status of Prior Findings Year Ended August 31, 2024

(Prepared by the District's Management)

Prior Year Finding:

2023-001 The District's books were not maintained and reviewed on a timely basis. The books contained numerous coding errors, transactions not properly recorded, accounts with incorrect balances and expenditures exceeding the budget.

2023-002 See Section B, Reference Number 2023-001 above

2023-003 Actual expenditures exceeded the budget.

2023-004 Buses and a vehicle were purchased from a supplier without following a statutory method of procurement.

Status of Prior Year Finding:

There is significant improvement in the current year and this finding is not reflected in the current year report.

There is significant improvement in the current year and this finding is not reflected in the current year report.

Actual amounts in excess of the budget in the current year were not deemed significant.

This condition does not exist in the current year.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION



DRAFT

IN REGARD to the authorization and issuance of the “Iraan-Sheffield Collegiate Independent School District Unlimited Tax School Building Bonds, Series 2025” (the *Bonds*), dated August 15, 2025, in the aggregate principal amount of \$_____ we have reviewed the legality and validity of the issuance thereof by the Board of Trustees of the Iraan-Sheffield Collegiate Independent School District (the *Issuer*). The Bonds are issuable in fully registered form only, in denominations of \$5,000 or any integral multiple thereof (within a Stated Maturity). The Bonds have Stated Maturities of February 15 in the years 20__ through 20__, unless optionally or mandatorily redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Bonds. Interest on the Bonds accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the order (the *Order*) authorizing the issuance of the Bonds. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Order.

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

WE HAVE EXAMINED the applicable and pertinent laws of the State of Texas and the United States of America. In rendering the opinions herein we rely upon (1) original or certified copies of the proceedings of the Board of Trustees of the Issuer in connection with the issuance of the Bonds, including the Order; (2) customary certifications and opinion of officials of the Issuer; (3) certificates executed by officers of the Issuer relating to the expected use and investment of proceeds of the Bonds and certain other funds of the Issuer, and to certain other facts solely within the knowledge and control of the Issuer; and (4) such other documentation, including an examination of the Bond executed and delivered initially by the Issuer, and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements and information contained in such certificates. We express no opinion concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

BASED ON OUR EXAMINATION, IT IS FURTHER OUR OPINION that the Bonds have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Bonds are valid and legally binding obligations of the Issuer enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability

Legal Opinion of Cantu Harden Montoya LLP, San Antonio, Texas, in connection with the authorization and issuance of IRAAN-SHEFFIELD COLLEGIATE INDEPENDENT SCHOOL DISTRICT UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2025

thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. The Bonds are payable from the proceeds of an ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property in the Issuer.

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

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

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Cantu Harden Montoya LLP



Draft

IN REGARD to the authorization and issuance of the “Iraan-Sheffield Collegiate Independent School District Unlimited Tax Refunding Bonds, Series 2025A” (the *Bonds*), dated August 15, 2025, in the aggregate principal amount of \$_____ we have reviewed the legality and validity of the issuance thereof by the Board of Trustees of the Iraan-Sheffield Collegiate Independent School District (the *Issuer*). The Bonds are issuable in fully registered form only, in denominations of \$5,000 or any integral multiple thereof (within a Stated Maturity). The Bonds have Stated Maturities of February 15 in the years 20__ through 20__, unless optionally or mandatorily redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Bonds. Interest on the Bonds accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the order (the *Order*) authorizing the issuance of the Bonds. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Order.

WE HAVE SERVED AS BOND COUNSEL for the Issuer solely to pass upon the legality and validity of the issuance of the Bonds under the laws of the State of Texas, the defeasance and discharge of the Issuer’s obligations being refunded by the Bonds. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer. We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Bonds. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Bonds.

WE HAVE EXAMINED the applicable and pertinent laws of the State of Texas and the United States of America. In rendering the opinions herein we rely upon (1) original or certified copies of the proceedings of the Board of Trustees of the Issuer in connection with the issuance of the Bonds, including the Order and the Escrow and Trust Agreement (the *Escrow Agreement*) between the Issuer and BOKF, NA, Dallas, Texas (the *Escrow Agent*); (2) a special report (the *Report*) of Public Finance Partners, LLC (the *Verification Agent*), concerning the sufficiency of cash and investments deposited with the Escrow Agent pursuant to the Escrow Agreement; (3) customary certifications and opinions of officials of the Issuer; (4) certificates executed by officers of the Issuer relating to the expected use and investment of proceeds of the Bonds and certain other funds of the Issuer, and to certain other facts solely within the knowledge and control of the Issuer; and (5) such other documentation, including an examination of the Bond executed and delivered initially by the Issuer, and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements and information contained in such certificates. We express no opinion concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

BASED ON OUR EXAMINATION, IT IS OUR OPINION that the Escrow Agreement has been duly authorized, executed, and delivered by the Issuer and, assuming due authorization, execution, and delivery thereof by the Escrow Agent, is a valid and binding obligation, enforceable in accordance with its terms (except to the extent that the enforceability thereof may be affected

Legal Opinion of Cantu Harden Montoya LLP, San Antonio, Texas, in connection with the authorization and issuance of IRAAN-SHEFFIELD COLLEGIATE INDEPENDENT SCHOOL DISTRICT UNLIMITED TAX REFUNDING BONDS, SERIES 2025A

by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity), and that the outstanding obligations refunded, discharged, paid, and retired with certain proceeds of the Bonds have been defeased and are regarded as being outstanding only for the purpose of receiving payment from the funds held in trust with the Escrow Agent, pursuant to the Escrow Agreement and the order authorizing their issuance, and in accordance with the provisions of Chapter 1207, as amended, Texas Government Code. In rendering this opinion, we have relied upon the Report of the Verification Agent concerning the sufficiency of the cash and investments deposited with the Escrow Agent pursuant to the Escrow Agreement for the purposes of paying the outstanding obligations refunded and to be retired with the proceeds of the Bonds and the interest thereon.

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

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

WE EXPRESS NO OTHER OPINION on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Cantu Harden Montoya LLP

APPENDIX D

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM FOR THE 2025 BONDS

The District has submitted an application to the Texas Education Agency, in connection with the sale of the 2025 Bonds, and has received conditional approval from the Commissioner of Education for the payment of the 2025 Bonds to be guaranteed under the Permanent School Fund Guarantee Program pursuant to Chapter 45, Subchapter C of the Texas Education Code.

The 2025A Bonds will not be guaranteed by the Permanent School Fund of the State.

The information below concerning the Texas Permanent School Fund and the Guarantee Program has been provided by the TEA and is not guaranteed as to accuracy or completeness by, and should not be construed as a representation by, the District.

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

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

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

History and Purpose

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

On November 8, 1983, the voters of the State approved a constitutional amendment that provides for the guarantee by the PSF of bonds issued by school districts. On approval by the State Commissioner of Education (the “Education

Commissioner”), bonds properly issued by a school district are fully guaranteed by the PSF. See “The School District Bond Guarantee Program.”

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

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

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

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

Management and Administration of the Fund

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

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

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

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

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

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

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

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

The Total Return Constitutional Amendment

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

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

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

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

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

Annual Distributions to the Available School Fund¹

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

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

² Reflects the first fiscal year in which distributions were made by the PSF Corporation.

³ 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> ¹	2.5%	4.2%	3.3%	3.5%	3.7%	2.974%	4.18%	3.32%	3.45%

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

PSF Corporation Strategic Asset Allocation

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

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

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

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

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

Comparative Investment Schedule – PSF(CORP)

<u>ASSET CLASS</u>	<u>August 31, 2024</u>	<u>August 31, 2023</u>	<u>Amount of Increase</u>	<u>Percent Change</u>
EQUITY				
Domestic Small Cap	\$3,651.3	\$ 2,975.1	\$ 676.2	22.7%
Domestic Large Cap	<u>8,084.6</u>	<u>7,896.5</u>	<u>188.1</u>	<u>2.4%</u>
Total Domestic Equity	11,735.9	10,871.6	864.3	8.0%
International Equity	<u>4,131.1</u>	<u>7,945.5</u>	<u>(3,814.4)</u>	<u>-48.0%</u>
TOTAL EQUITY	15,867.0	18,817.1	(2,950.1)	-15.7%
FIXED INCOME				
Domestic Fixed	-	5,563.7	-	-
US Treasuries	-	937.5	-	-
Core Bonds	8,151.6	-	-	-
Bank Loans	2,564.1	-	-	-
High Yield Bonds	2,699.5	1,231.6	1,467.9	119.2%
Emerging Market Debt	-	<u>869.7</u>	-	-
TOTAL FIXED INCOME	13,415.2	8,602.	4,812.7	55.9%
ALTERNATIVE INVESTMENTS				
Absolute Return	3,106.0	3,175.8	(69.8)	-2.2%
Real Estate	6,101.0	6,525.2	(424.2)	-6.5%
Private Equity	8,958.8	8,400.	558.1	6.6%
Emerging Manager Program	-	7	-	-
Real Return	-	1,663.7	-	-
Private Credit	2,257.9	-	-	-
Real Assets	<u>4,648.1</u>	<u>4,712.1</u>	<u>(64.0)</u>	<u>-1.4%</u>
TOT ALT INVESTMENTS	<u>25,071.8</u>	<u>24,612.0</u>	<u>459.8</u>	<u>1.9%</u>
UNALLOCATED CASH	<u>2,583.2</u>	<u>348.2</u>	<u>2,235</u>	<u>641.9%</u>
TOTAL PSF(CORP) INVESTMENTS	56,937.2	\$ 52,379.8	\$ 4,557.4	8.7%

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

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

Investment Schedule - PSF(SLB)¹

Fair Value (in millions) August 31, 2024

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

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

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

³ Includes an estimated 1,000,000.00 acres in freshwater rivers.

⁴ Includes an estimated 1,747,600.00 in excess acreage.

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

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

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

The School District Bond Guarantee Program

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

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

Comptroller will cancel the bond or evidence of payment of the interest and forward it to the school district. The Act permits the Education Commissioner to order a school district to set a tax rate sufficient to reimburse the PSF for any payments made with respect to guaranteed bonds, and also sufficient to pay future payments on guaranteed bonds, and provides certain enforcement mechanisms to the Education Commissioner, including the appointment of a board of managers or annexation of a defaulting school district to another school district.

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

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

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

The Charter District Bond Guarantee Program

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

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

Pursuant to the CDBGP Rules, the Education Commissioner annually determines the ratio of charter district students to total public school students, for the 2025 fiscal year, the ratio is 7.86%. At February 27, 2025, there were 188 active open-enrollment charter schools in the State and there were 1,222 charter school campuses authorized under such charters, though as of such date, 264 of such campuses are not currently serving students for various reasons; therefore, there are 958 charter school campuses actively serving students in Texas. Section 12.101, Texas Education Code, limits the number of charters that the Education Commissioner may grant to a total number of 305 charters. While legislation limits the number of charters that may be granted, it does not limit the number of campuses that may operate under a particular charter. For information regarding the capacity of the Guarantee Program, see "Capacity Limits for the Guarantee Program." The Act provides that the Education Commissioner may not approve the guarantee of refunding or refinanced bonds under the Charter District Bond Guarantee Program in a total amount that exceeds one-half of the total amount available for the guarantee of charter district bonds under the Charter District Bond Guarantee Program.

In accordance with the Act, the Education Commissioner may not approve charter district bonds for guarantee if such guarantees will result in lower bond ratings for public school district bonds that are guaranteed under the School District Bond Guarantee Program. To be eligible for a guarantee, the Act provides that a charter district's bonds must be approved

by the Attorney General, have an unenhanced investment grade rating from a nationally recognized investment rating firm, and satisfy a limited investigation conducted by the TEA.

The Charter District Bond Guarantee Program does not apply to the payment of principal and interest upon redemption of bonds, except upon mandatory sinking fund redemption, and does not apply to the obligation, if any, of a charter district to pay a redemption premium on its guaranteed bonds. The guarantee applies to all matured interest on guaranteed charter district bonds, whether the bonds were issued with a fixed or variable interest rate and whether the interest rate changes as a result of an interest reset provision or other bond resolution provision requiring an interest rate change. The guarantee does not extend to any obligation of a charter district under any agreement with a third party relating to guaranteed bonds that is defined or described in State law as a "bond enhancement agreement" or a "credit agreement," unless the right to payment of such third party is directly as a result of such third party being a bondholder.

In the event of default, holders of guaranteed charter district bonds will receive all payments as and when they become due from the corpus of the PSF. Following a determination that a charter district will be or is unable to pay maturing or matured principal or interest on any guaranteed bond, the Act requires a charter district to notify the Education Commissioner not later than the fifth day before the stated maturity date of such bond or interest payment and provides that immediately following receipt of notice that a charter district will be or is unable to pay maturing or matured principal or interest on a guaranteed bond, the Education Commissioner is required to instruct the Comptroller to transfer from the Charter District Reserve Fund to the district's paying agent an amount necessary to pay the maturing or matured principal or interest, as applicable. If money in the Charter District Reserve Fund is insufficient to pay the amount due on a bond for which a notice of default has been received, the Education Commissioner is required to instruct the Comptroller to transfer from the PSF to the district's paying agent the amount necessary to pay the balance of the unpaid maturing or matured principal or interest, as applicable. If a total of two or more payments are made under the Charter District Bond Guarantee Program on charter district bonds and the Education Commissioner determines that the charter district is acting in bad faith under the program, the Education Commissioner may request the Attorney General to institute appropriate legal action to compel the charter district and its officers, agents, and employees to comply with the duties required of them by law in regard to the guaranteed bonds. As is the case with the School District Bond Guarantee Program, the Act provides a funding "intercept" feature that obligates the Education Commissioner to instruct the Comptroller to withhold the amount paid with respect to the Charter District Bond Guarantee Program, plus interest, from the first State money payable to a charter district that fails to make a guaranteed payment on its bonds. The amount withheld will be deposited, first, to the credit of the PSF, and then to restore any amount drawn from the Charter District Reserve Fund as a result of the non-payment.

The 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 “CDBG Capacity”) is made available from the capacity of the Guarantee Program but is not reserved exclusively for the Charter District Bond Guarantee Program. See “Capacity Limits for the Guarantee Program.” Other factors that could increase the CDBG Capacity include Fund investment performance, future increases in the Guarantee Program multiplier, changes in State law that govern the calculation of the CDBG Capacity, as described below, changes in State or federal law or regulations related to the Guarantee Program limit, growth in the relative percentage of students enrolled in open-enrollment charter schools to the total State scholastic census, legislative and administrative changes in funding for charter districts, changes in level of school district or charter district participation in the Guarantee Program, or a combination of such circumstances.

Capacity Limits for the Guarantee Program

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

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

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

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

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

The IRS Notice changed the IRS Limit from a static limit to a dynamic limit for the Guarantee Program based upon the cost value of Fund assets, multiplied by five. As of January 31, 2025 the cost value of the Guarantee Program was \$48,560,433,760 (unaudited), thereby producing an IRS Limit of \$242,802,168,800 in principal amount of guaranteed bonds outstanding.

As of January 31, 2025, the estimated State Capacity Limit is \$169,961,518,160, which is lower than the IRS Limit, making the State Capacity Limit the current Capacity Limit for the Fund.

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

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

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

2017 Legislative Changes to the Charter District Bond Guarantee Program

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

The percentage of the charter district scholastic population to the overall public school scholastic population has grown from 3.53% in September 2012 to 7.86% in February 2025. TEA is unable to predict how the ratio of charter district students to the total State scholastic population will change over time.

In addition to modifying the manner of determining the CDBGP Capacity, SB 1480 provided that the Education Commissioner’s investigation of a charter district application for guarantee may include an evaluation of whether the charter district bond security documents provide a security interest in real property pledged as collateral for the bond and the repayment obligation under the proposed guarantee. The Education Commissioner may decline to approve the application if the Education Commissioner determines that sufficient security is not provided. The Act and the CDBGP Rules also require the Education Commissioner to make an investigation of the accreditation status and financial status for a charter district applying for a bond guarantee.

Since the initial authorization of the Charter District Bond Guarantee Program, the Act has established a bond guarantee reserve fund in the State treasury (the "Charter District Reserve Fund"). Formerly, the Act provided that each charter district that has a bond guaranteed must annually remit to the Education Commissioner, for deposit in the Charter District Reserve Fund, an amount equal to 10% of the savings to the charter district that is a result of the lower interest rate on its bonds due to the guarantee by the PSF. SB 1480 modified the Act insofar as it pertains to the Charter District Reserve Fund. Effective September 1, 2017, the Act provides that a charter district that has a bond guaranteed must remit to the Education Commissioner, for deposit in the Charter District Reserve Fund, an amount equal to 20% of the savings to the charter district that is a result of the lower interest rate on the bond due to the guarantee by the PSF. The amount due shall be paid on receipt by the charter district of the bond proceeds. However, the deposit requirement will not apply if the balance of the Charter District Reserve Fund is at least equal to 3.00% of the total amount of outstanding guaranteed bonds issued by charter districts. At January 31, 2025, the Charter District Reserve Fund contained \$120,355,020, which represented approximately 2.44% of the guaranteed charter district bonds. The Reserve Fund is held and invested as a non-commingled fund under the administration of the PSF Corporation staff.

Charter District Risk Factors

Open-enrollment charter schools in the State may not charge tuition and, unlike school districts, charter districts have no taxing power. Funding for charter district operations is largely from amounts appropriated by the Legislature. Additionally, the amount of State payments a charter district receives is based on a variety of factors, including the enrollment at the schools operated by a charter district, and may be affected by the State's economic performance and other budgetary considerations and various political considerations.

Other than credit support for charter district bonds that is provided to qualifying charter districts by the Charter District Bond Guarantee Program, State funding for charter district facilities construction is limited to a program established by the Legislature in 2017, which provides \$60 million per year for eligible charter districts with an acceptable performance rating for a variety of funding purposes, including for lease or purchase payments for instructional facilities. Since State funding for charter facilities is limited, charter schools generally issue revenue bonds to fund facility construction and acquisition, or fund facilities from cash flows of the school. Some charter districts have issued non-guaranteed debt in addition to debt guaranteed under the Charter District Bond Guarantee Program, and such non-guaranteed debt is likely to be secured by a deed of trust covering all or part of the charter district's facilities. In March 2017, the TEA began requiring charter districts to provide the TEA with a lien against charter district property as a condition to receiving a guarantee under the Charter District Bond Guarantee Program. However, charter district bonds issued and guaranteed under the Charter District Bond Guarantee Program prior to the implementation of the new requirement did not have the benefit of a security interest in real property, although other existing debts of such charter districts that are not guaranteed under the Charter District Bond Guarantee Program may be secured by real property that could be foreclosed on in the event of a bond default.

As a general rule, the operation of a charter school involves fewer State requirements and regulations for charter holders as compared to other public schools, but the maintenance of a State-granted charter is dependent upon on-going compliance with State law and regulations, which are monitored by TEA. TEA has a broad range of enforcement and remedial actions that it can take as corrective measures, and such actions may include the loss of the State charter, the appointment of a new board of directors to govern a charter district, the assignment of operations to another charter operator, or, as a last resort, the dissolution of an open-enrollment charter school. Charter holders are governed by a private board of directors, as compared to the elected boards of trustees that govern school districts.

As described above, the Act includes a funding "intercept" function that applies to both the School District Bond Guarantee Program and the Charter District Bond Guarantee Program. However, school districts are viewed as the "educator of last resort" for students residing in the geographical territory of the district, which makes it unlikely that State funding for those school districts would be discontinued, although the TEA can require the dissolution and merger into another school district if necessary to ensure sound education and financial management of a school district. That is not the case with a charter district, however, and open-enrollment charter schools in the State have been dissolved by TEA from time to time. If a charter district that has bonds outstanding that are guaranteed by the Charter District Bond Guarantee Program should be dissolved, debt service on guaranteed bonds of the district would continue to be paid to bondholders in accordance with the Charter District Bond Guarantee Program, but there would be no funding available for reimbursement of the PSF by the Comptroller for such payments. As described under "The Charter District Bond Guarantee Program," the Act established the Charter District Reserve Fund, to serve as a reimbursement resource for the PSF.

Ratings of Bonds Guaranteed Under the Guarantee Program

Moody's Investors Service, Inc., S&P Global Ratings, and Fitch Ratings, Inc. rate bonds guaranteed by the PSF "Aaa," "AAA" and "AAA," respectively. Not all districts apply for multiple ratings on their bonds, however. See the applicable rating section within the offering document to which this is attached for information regarding a district's underlying rating and the enhanced rating applied to a given series of bonds.

Valuation of the PSF and Guaranteed Bonds

Permanent School Fund Valuations		
Fiscal Year Ended 8/31	Book Value ⁽¹⁾	Market Value ⁽¹⁾
2020	\$36,642,000,738	\$46,764,059,745
2021	38,699,895,545	55,582,252,097
2022	42,511,350,050	56,754,515,757
2023	43,915,792,841	59,020,536,667
2024 ⁽²⁾	46,276,260,013	56,937,188,265

⁽¹⁾ 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.

⁽²⁾ At August 31, 2024, mineral assets, sovereign lands, other lands, and discretionary internal investments, had book values of approximately \$13.4 million, \$0.8 million, \$37.2 million, and \$318.9 million, respectively, and market values of approximately \$4,540.6 million, \$277.4 million, \$153.1 million, and \$457.0 million, respectively.

Permanent School Fund Guaranteed Bonds	
At 8/31	Principal Amount ⁽¹⁾
2020	\$90,336,680,245
2021	95,259,161,922
2022	103,239,495,929
2023	115,730,826,682
2024	125,815,981,603 ⁽²⁾

⁽¹⁾ 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.

⁽²⁾ At August 31, 2024 (the most recent date for which such data is available), the TEA expected that the principal and interest to be paid by school districts and charter districts over the remaining life of the bonds guaranteed by the Guarantee Program was \$196,294,405,488, of which \$70,478,423,885 represents interest to be paid. As shown in the table above, at August 31, 2024, there were

\$125,815,981,603 in principal amount of bonds guaranteed under the Guarantee Program. Using the State Capacity Limit of \$169,961,518,160 (the State Capacity Limit is currently the Capacity Limit), net of the Capacity Reserve, as of January 31, 2025, 7.69% of the Guarantee Program's capacity was

available to the Charter District Bond Guarantee Program. As of January 31, 2025, the amount of outstanding bond guarantees represented 76.33% of the Capacity Limit (which is currently the State Capacity Limit). January 31, 2025 values are based on unaudited data, which is subject to adjustment.

Permanent School Fund Guaranteed Bonds by Category⁽¹⁾

<u>School District Bonds</u>			<u>Charter District Bonds</u>		<u>Totals</u>	
<u>Fiscal Year</u> <u>Ended 8/31</u>	<u>No. of</u> <u>Issues</u>	<u>Principal</u> <u>Amount (\$)</u>	<u>No. of</u> <u>Issues</u>	<u>Principal</u> <u>Amount (\$)</u>	<u>No. of</u> <u>Issues</u>	<u>Principal</u> <u>Amount (\$)</u>
2020	3,296	87,800,478,245	64	2,536,202,000	3,360	90,336,680,245
2021	3,346	91,951,175,922	83	3,307,986,000	3,429	95,259,161,922
2022	3,348	99,528,099,929	94	3,711,396,000	3,442	103,239,495,929
2023	3,339	111,647,914,682	102	4,082,912,000	3,441	115,730,826,682
2024 ⁽²⁾	3,330	121,046,871,603	103	4,769,110,000	3,433	125,815,981,603

⁽¹⁾ 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.

⁽²⁾ At January 31, 2025 (based on unaudited data, which is subject to adjustment), there were \$129,723,799,121 in principal amount of bonds guaranteed under the Guarantee Program, representing 3,437 school district issues, aggregating \$124,794,149,121 in principal amount and 109 charter district issues, aggregating \$4,929,650,000 in principal amount. At January 31, 2025 the projected guarantee capacity available was \$39,780,221,830 (based on unaudited data, which is subject to adjustment).

Discussion and Analysis Pertaining to Fiscal Year Ended August 31, 2024

The following discussion is derived from the Annual Report for the year ended August 31, 2024, including the Message from the Chief Executive Officer of the Fund, the Management's Discussion and Analysis, and other schedules contained therein. Reference is made to the Annual Report, as filed with the MSRB, for the complete Message and MD&A. Investment assets managed by the PSF Corporation are referred to throughout this MD&A as the PSF(CORP). The Fund's non-financial real assets are managed by the SLB and these assets are referred to throughout as the PSF(SLB) assets.

At the end of fiscal year 2024, the PSF(CORP) net position was \$57.3 billion. During the year, the PSF(CORP) continued implementing the long-term strategic asset allocation, diversifying the investment mix to strengthen the Fund. The asset allocation is projected to increase returns over the long run while reducing risk and portfolio return volatility. The PSF(CORP) is invested in global markets and liquid and illiquid assets experience volatility commensurate with the related indices. The PSF(CORP) is broadly diversified and benefits from the cost structure of its investment program. Changes continue to be researched, crafted, and implemented to make the cost structure more effective and efficient. The PSF(CORP) annual rates of return for the one-year, five-year, and ten-year periods ending August 31, 2024, net of fees, were 10.12%, 7.31%, and 6.32%, respectively (total return takes into consideration the change in the market value of the Fund during the year as well as the interest and dividend income generated by the Fund's investments). See "Comparative Investment Schedule - PSF(CORP)" for the PSF(CORP) holdings as of August 31, 2024.

Effective February 1, 2024, Texas PSF transitioned into a new strategic asset allocation. The new allocation of the PSF Corporation updated the strategic asset allocation among public equities, fixed income, and alternative assets, as discussed herein. Alternative assets now include private credit, absolute return, private equity, real estate, natural resources, and infrastructure. For a description of the accrual basis of accounting and more information about performance, including comparisons to established benchmarks for certain periods, please see the 2024 Annual Report which is included by reference herein.

PSF Returns Fiscal Year Ended 8-31-2024¹

<u>Portfolio</u>	<u>Return</u>	<u>Benchmark Return²</u>
Total PSF(CORP) Portfolio	10.12	9.28
Domestic Large Cap Equities	27.30	27.14
Domestic Small/Mid Cap Equities	18.35	18.37
International Equities	18.82	18.08
Private Credit	1.41	0.93
Core Bonds	7.08	7.30
Absolute Return	11.50	8.87
Real Estate	(6.42)	(7.22)
Private Equity	4.62	4.23
High Yield	12.03	12.53
Natural Resources	12.36	6.42
Infrastructure	4.41	3.63
Bank Loans	3.02	3.23
Short Term Investment Portfolio	2.42	2.28

¹ Time weighted rates of return adjusted for cash flows for the PSF(CORP) investment assets. Does not include SLB managed real estate or real assets. Returns are net of fees. Source: Annual Report for year ended August 31, 2024.

² Benchmarks are as set forth in the Annual Report for year ended August 31, 2024.

The SLB is responsible for the investment of money in the Real Estate Special Fund Account (RESFA) of the PSF (also referred to herein as the PSF(SLB)). Pursuant to applicable law, money in the PSF(SLB) may be invested in land, mineral and royalty interest, and real property holdings. For more information regarding the investments of the PSF(SLB), please see the 2024 Unaudited Annual Financial Report of the Texas General Land Office and Veterans Land Board.

The Fund directly supports the public school system in the State by distributing a predetermined percentage of its asset value to the ASF. In fiscal year 2024, \$2.2 billion was distributed to the ASF, \$600 million of which was distributed by the PSF(CORP) on behalf of the SLB.

Other Events and Disclosures

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

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

As of August 31, 2024, certain lawsuits were pending against the State and/or the GLO, which challenge the Fund's title to certain real property and/or past or future mineral income from that property, and other litigation arising in the normal course of the investment activities of the PSF. Reference is made to the Annual Report, when filed, for a description of such lawsuits that are pending, which may represent contingent liabilities of the Fund.

PSF Continuing Disclosure Undertaking

As of March 1, 2023, the TEA's undertaking pursuant to Rule 15c2-12 (the "TEA Undertaking") pertaining to the PSF and the Guarantee Program, is codified at 19 TAC 33.8, which relates to the Guarantee Program and is available at <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, 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.

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.

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

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

