

OFFICIAL STATEMENT
Dated November 4, 2025

NEW ISSUE – BOOK-ENTRY-ONLY

Enhanced/Unenhanced Ratings:
Moody's: "Aaa" / "Aa3"
PSF: "Guaranteed"

(See "OTHER PERTINENT INFORMATION – Municipal Bond Rating" herein and "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" attached hereto.)

In the opinion of Tax Counsel (defined herein), 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 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 (i) is excludable from gross income pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest on the Bonds may be taken into account for the purpose of computing the federal alternative minimum tax imposed on certain corporations. See "TAX MATTERS" herein.

The District did NOT designate the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions.

\$12,520,000
FLATONIA INDEPENDENT SCHOOL DISTRICT
(a political subdivision of the State of Texas located in Fayette County)
UNLIMITED TAX REFUNDING BONDS, SERIES 2025

Dated Date: November 15, 2025

Due: as shown on the inside cover page hereto

Interest to Accrue from Date of Delivery

AUTHORITY FOR ISSUANCE ... The Flatonia Independent School District Unlimited Tax Refunding Bonds, Series 2025 (the "Bonds") are being issued pursuant to the Constitution and general laws of the State of Texas (the "State" or "Texas"), including Chapter 1207 of the Texas Government Code, as amended (the "Act"), and a bond order (the "Bond Order") adopted by the Board of Trustees of the District (the "Board") on October 9, 2025. As permitted by the Act, in the Bond Order, the Board delegated to certain District officials the ability to execute a pricing certificate (the "Pricing Certificate") evidencing the final sale terms of the Bonds (the Bond Order and the Pricing Certificate are jointly referred to as the "Order") which was executed on November 4, 2025. See "THE BONDS - Authority for Issuance" herein.

PAYMENT TERMS ... Interest on the Bonds will accrue from the date of initial delivery to the underwriter named below (the "Underwriter"), will be payable on each February 15 and August 15, 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 as fully-registered obligations in principal denominations of \$5,000 or any integral multiple thereof. The definitive Bonds will be registered and delivered to Cede & Co., as the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. DTC will act as the initial securities depository (the "Securities Depository") for the Bonds. Book-entry interests in the Bonds will be made available for purchase in multiples of \$5,000 of the principal amount. Purchasers of the Bonds ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, principal of and interest on the Bonds (as applicable) will be payable by the Paying Agent/Registrar, initially BOKF, NA, Dallas, Texas, to the Securities Depository, which will in turn remit such principal and interest to its participants, which will in turn remit such principal and interest to the Beneficial Owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

PURPOSE ... Proceeds from the sale of the Bonds will be used (i) to refund a portion of the District's currently outstanding unlimited ad valorem tax-supported obligations, as identified in Schedule I attached hereto (the "Refunded Bonds") and (ii) to pay for the costs of issuance of the Bonds. See "PLAN OF FINANCING – Purpose" and "– Sources and Uses of Funds" herein.

The District has received conditional approval from the Texas Education Agency for the payment of principal and interest on the Bonds to be guaranteed under the Permanent School Fund Guarantee Program, which guarantee will automatically become effective when the Attorney General of the State of Texas approves the Bonds. See "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" attached hereto.

**For Maturity Schedule, Principal Amounts, Interest Rates, Initial Yields, CUSIP Numbers,
and Redemption Provisions for the Bonds, see the inside cover page hereto.**

The Bonds are offered for delivery when, as, and if issued and received by the Underwriter and are subject to the approving opinion of the Attorney General of the State of Texas and the opinions of Frost Brown Todd LLP, Houston, Texas, Co-Bond Counsel and Tax Counsel, and Powell Law Group, LLP, Austin, Texas, Co-Bond Counsel. See "APPENDIX C – FORMS OF CO-BOND COUNSEL'S OPINION AND TAX COUNSEL'S OPINION" attached hereto. Certain matters will be passed upon for the Underwriter by its counsel, Leon Alcala, PLLC, Austin, Texas. It is expected that the Bonds will be available for delivery through DTC on or about December 2, 2025 (the "Date of Delivery").

OPPENHEIMER & Co.

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

**\$12,520,000
FLATONIA INDEPENDENT SCHOOL DISTRICT
(a political subdivision of the State of Texas located in Fayette County)
UNLIMITED TAX REFUNDING BONDS, SERIES 2025**

CUSIP No. Prefix 338855 ⁽¹⁾

\$9,395,000 Serial Bonds

Maturity Date	Principal	Interest Rate	Initial Yield ⁽²⁾	CUSIP No. ⁽¹⁾
(2/15)	(\$)	(%)	(%)	Suffix
2026	155,000	5.000	2.860	EF2
2027	350,000	5.000	2.750	EG0
2028	390,000	5.000	2.720	EH8
2029	390,000	5.000	2.700	EJ4
2030	395,000	5.000	2.680	EK1
2031	405,000	5.000	2.700	EL9
2032	415,000	5.000	2.750	EM7
2033	425,000	5.000	2.850	EN5
2034	440,000	5.000	2.870	EP0
2035	460,000	5.000	2.960	EQ8
2036	480,000	5.000	3.090 ⁽³⁾	ER6
2037	500,000	5.000	3.240 ⁽³⁾	ES4
2038	525,000	5.000	3.350 ⁽³⁾	ET2
2039	480,000	5.000	3.480 ⁽³⁾	EU9
2040	510,000	5.000	3.600 ⁽³⁾	EV7
2041	545,000	5.000	3.740 ⁽³⁾	EW5
2042	580,000	5.000	3.870 ⁽³⁾	EX3
2043	615,000	4.000	4.130	EY1
2044	650,000	4.000	4.240	EZ8
2045	685,000	4.125	4.310	FA2

\$3,125,000 Term Bonds

\$1,485,000 4.125% Term Bonds Due February 15, 2047 to Yield 4.410%, CUSIP No. ⁽¹⁾ Suffix FB0

\$1,640,000 4.250% Term Bonds Due February 15, 2049 to Yield 4.480%, CUSIP No. ⁽¹⁾ Suffix FC8

(Interest to accrue from the initial Date of Delivery)

Optional Redemption. The District reserves the option to redeem the Bonds maturing on and after February 15, 2036, 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, 2035, or on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption.

Mandatory Sinking Fund Redemption. The Bonds maturing on February 15 in the years 2047 and 2049 (the "Term Bonds") are also subject to mandatory sinking fund redemption prior to stated maturity. See "THE BONDS – Redemption Provisions of the Bonds" herein.

⁽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 Underwriter, the District, or the Municipal Advisor 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 Underwriter and, subject to certain hold-the-offering-price restrictions of limited duration in the purchase agreement for the Bonds, may be changed by the Underwriter.

⁽³⁾ Priced to first optional redemption date of February 15, 2035.

FLATONIA INDEPENDENT SCHOOL DISTRICT
400 East 4th Street
Flatonia, Texas 78941

BOARD OF TRUSTEES

<u>Name</u>	<u>Position</u>	<u>Term Expiration</u>
Pastor Tim Rowell	President	May 2028
Jessica Morrill	Vice-President	May 2028
LaVerne Dornak	Secretary	May 2026
Ashley Beeman	Board Member	May 2026
Christina Manzano	Board Member	May 2027
Dan Sullivan	Board Member	May 2028
Blanca Villanueva	Board Member	May 2027

ADMINISTRATION – FINANCE RELATED

<u>Name</u>	<u>Position</u>
Chris Sodek	Superintendent
Rodney Stryk	Business Manager and Director of Maintenance & Transportation

CONSULTANTS AND ADVISORS

Auditors	Roloff, Hnatek & Co., L.L.P., Victoria, Texas
Co-Bond Counsel	Frost Brown Todd LLP, Houston, Texas Powell Law Group, LLP, Austin, Texas
Tax Counsel	Frost Brown Todd LLP, Houston, Texas
Municipal Advisor	Live Oak Public Finance, LLC, Austin, Texas

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USE OF INFORMATION IN THE OFFICIAL STATEMENT

No dealer, broker, salesman, or other person has been authorized by the District or the Underwriter 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, including the cover page, schedule and appendices hereto, 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 Underwriter.

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 – 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 Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under 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 Underwriter 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" 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 purposes.

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The cover page hereof, the schedule and appendices attached hereto, and any addenda, supplement or amendment attached 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 of the State of Texas (the "State" or "Texas") located in Fayette County. The District is governed by a seven-member Board of Trustees (the "Board"). Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools, who is the chief administrative officer of the District. Support services are supplied by consultants and advisors. See "INTRODUCTION – Description of the District" herein.
AUTHORITY FOR ISSUANCE	The Bonds are being issued in the principal amount of \$12,520,000 pursuant to the Constitution and general laws of the State, including Chapter 1207 of the Texas Government Code, as amended (the "Act"), and a bond order (the "Bond Order") adopted by the Board of Trustees of the District (the "Board") on October 9, 2025. As permitted by the Act, in the Bond Order, the Board delegated to certain District officials the ability to execute a Pricing Certificate (the "Pricing Certificate") evidencing the final sale terms of the Bonds (the Bond Order and the Pricing Certificate are jointly referred to as the "Order") which was executed on November 4, 2025. See "THE BONDS - Authority for Issuance" herein.
THE BONDS	The Bonds shall mature on the dates and in the amounts set forth on the inside cover page of this Official Statement. See "THE BONDS – Description of the Bonds" herein.
DATED DATE	November 15, 2025.
PAYMENT OF INTEREST	Interest on the Bonds will accrue from the date of initial delivery to the Underwriter (listed on the cover page hereof), will be payable on each February 15 and August 15, 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. See "THE BONDS – Description of the Bonds" herein.
REDEMPTION	The District reserves the option to redeem the Bonds maturing on and after February 15, 2036, 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, 2035, or on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption. The Bonds maturing on February 15 in the years 2047 and 2049 (the "Term Bonds") are also subject to mandatory sinking fund redemption prior to stated maturity. 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, the payment of the Bonds is expected to be guaranteed by the corpus of the Permanent School Fund of the State of Texas. See "THE BONDS – Security and Source of Payment" herein and "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" attached hereto.
TAX MATTERS	In the opinion of Frost Brown Todd, LLP Houston, Texas, Tax Counsel, under existing statutes, regulations, published rulings and court decisions, interest on the Bonds (i) is excludable from gross income of the owners thereof pursuant to Section 103 of the Code, and (ii) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest on the Bonds may be taken into account for the purpose of computing the federal alternative minimum tax imposed on certain corporations. See "TAX MATTERS" herein and "APPENDIX C – FORMS OF CO-BOND COUNSEL'S OPINION AND TAX COUNSEL'S OPINION" attached hereto.
NOT QUALIFIED TAX-EXEMPT OBLIGATIONS.	The District <u>did NOT</u> designate the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions.
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 Bonds to be guaranteed under the Permanent School Fund Guarantee Program, which guarantee will automatically become effective when the Attorney General of the State of Texas approves the Bonds. See "THE BONDS – Permanent School Fund Guarantee" herein and "APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" attached hereto.
PAYING AGENT/REGISTRAR	The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas.
MUNICIPAL BOND RATING	The presently outstanding unlimited tax-supported debt of the District including the Bonds is rated "Aa3" by Moody's Investors Service Inc. ("Moody's") without regard to credit enhancement, and "Aaa" by Moody's by virtue of the guarantee of the Permanent School Fund of the State. See "OTHER PERTINENT INFORMATION – Municipal Bond Rating" herein and "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" attached hereto.
USE OF PROCEEDS	Proceeds from the sale of the Bonds will be used (i) to refund a portion of the District's currently outstanding unlimited ad valorem tax-supported obligations, as identified in Schedule I attached hereto (the "Refunded Bonds") and (ii) to pay for the costs of issuance of the Bonds. See "PLAN OF FINANCING – Purpose" and "- Sources and Uses of Funds" herein.

BOOK-ENTRY-ONLY

SYSTEM.....The definitive Bonds will be initially registered and delivered only to Cede & Co., as nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of \$5,000 of the principal amount or any integral multiple thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “BOOK-ENTRY-ONLY SYSTEM” herein.

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

DELIVERYWhen issued, anticipated to occur on or about December 2, 2025.

LEGALITYThe Bonds are subject to the receipt of an approving opinion from the Attorney General of the State of Texas and an opinion from Frost Brown Todd LLP, Houston, Texas and Powell Law Group, LLP, Austin, Texas, Co-Bond Counsel. See “APPENDIX C – FORMS OF CO-BOND COUNSEL’S OPINION AND TAX COUNSEL’S OPINION” attached hereto.

OFFICIAL STATEMENT

Relating to

\$12,520,000

FLATONIA INDEPENDENT SCHOOL DISTRICT
(a political subdivision of the State of Texas located in Fayette County)
UNLIMITED TAX REFUNDING BONDS, SERIES 2025

INTRODUCTION

This Official Statement, which includes the schedule and appendices attached hereto, and incorporated herein, provides certain information regarding the issuance of the \$12,520,000 Unlimited Tax Refunding Bonds, Series 2025 (the "Bonds") of the Flatonia Independent School District (the "District"). The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas (the "State" or "Texas"), including Chapter 1207 of the Texas Government Code, as amended (the "Act"), and a bond order (the "Bond Order") adopted by the Board of Trustees of the District (the "Board") on October 9, 2025. As permitted by the Act, in the Bond Order, the Board delegated to certain District officials the ability to execute a Pricing Certificate (the "Pricing Certificate") evidencing the final sale terms of the Bonds (the Bond Order and the Pricing Certificate are jointly referred to as the "Order") which was executed on November 4, 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" herein.

Included in this Official Statement are descriptions of the Bonds, the Order, 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 Flatonia Independent School District, 400 East 4th Street Flatonia, Texas 78941 Attention: Superintendent of Schools and, during the offering period, from the District's Municipal Advisor, Live Oak Public Finance, LLC, 1515 S. 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 of its date, and the information contained herein is subject to change. Copies of the Official Statement will be deposited with the Municipal Securities Rulemaking Board and will be available through its Electronic Municipal Market Access ("EMMA") System. See "CONTINUING DISCLOSURE" herein 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 located in Fayette County. The District is governed by a seven-member Board of Trustees (the "Board"). Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools, who is the chief administrative officer of the District. Support services are supplied by consultants and advisors.

PLAN OF FINANCING

Purpose

Proceeds from the sale of the Bonds will be used to (i) refund a portion of the District's currently outstanding unlimited ad valorem tax-supported obligations, as identified in Schedule I attached hereto (the "Refunded Bonds") and (ii) pay for the costs of issuance of the Bonds. See "Sources and Uses of Funds" herein.

Refunded Bonds

The Order provides that the District will deposit with BOKF, NA, Dallas, Texas (the "Escrow Agent"), pursuant to an escrow agreement (the "Escrow Agreement"), a portion of the proceeds of the sale of the Bonds to the Underwriter which, together with other lawfully available funds of the District, if any, will be sufficient to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held by the Escrow Agent in an escrow account (the "Escrow Fund") in cash or invested in certain governmental obligations permitted by the order that authorized the issuance of the Refunded Bonds ("Escrowed Securities") until the redemption date for the

Refunded Bonds. Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Bonds. The Escrow Fund will **not** be available to pay debt service on the Bonds.

Public Finance Partners LLC, Minneapolis, Minnesota, will verify at the time of delivery of the Bonds to the Underwriter 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 Bonds on the redemption date.

By the deposit of the Escrowed Securities acquired with the proceeds of the Bonds and other lawfully available funds of the District, if any, with the Escrow Agent, the District will have effected the defeasance of the Refunded Bonds pursuant to the Act, and the order authorizing the issuance of the Refunded Bonds. As a result of such defeasance, the Refunded Bonds will be outstanding only for the purpose of receiving payments from the funds held for such purpose by the Escrow Agent, and the Refunded Bonds will not be deemed as being outstanding obligations of the District, payable from the sources and secured in the manner provided in the order authorizing their issuance or for any other purpose. Upon defeasance of the Refunded Bonds, the payment of such Refunded Bonds will no longer be guaranteed by the corpus of the Permanent School Fund of the State of Texas.

Sources and Uses of Funds

The proceeds from the sale of the Bonds, together with other lawfully available funds of the District, if any, will be applied as follows:

<u>Sources of Funds:</u>	
Par Amount of Bonds	\$12,520,000.00
Net Reoffering Premium on the Bonds	660,495.60
TOTAL SOURCES	<u>\$13,180,495.60</u>
<u>Uses of Funds:</u>	
Deposit to Escrow Fund for Refunded Bonds	\$12,921,802.90
Costs of Issuance & Rounding Amount*	183,037.89
Underwriter's Discount	75,654.81
TOTAL USES	<u>\$13,180,495.60</u>

*Includes legal fees of the District, financial advisory fees, rating agency fees, fees of the Paying Agent/Registrar and Escrow Agent, rounding amount, and other costs of issuance.

THE BONDS

Description of the Bonds

The Bonds will be dated November 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 Underwriter (detailed below), will be payable on each February 15 and August 15, 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

The Bonds are being issued pursuant to the Constitution and general laws of the State, including the Act and the Bond Order adopted by the Board on October 9, 2025. As permitted by the Act, in the Bond Order, the Board delegated to certain District officials the ability to execute the Pricing Certificate evidencing the final sale terms of the Bonds which was executed on November 4, 2025.

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 DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" herein. Additionally, the payment of the 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" attached hereto.

Permanent School Fund Guarantee

The District has received conditional approval from the State Commissioner of Education (the "Education Commissioner") for the payment of the 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 under "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" attached hereto, the payment of the Bonds will be guaranteed by the corpus of the Permanent School Fund of the State of Texas. In the event of default, Beneficial Owners will receive all payments due on the Bonds from the corpus of the Permanent School Fund.

Redemption Provisions of the Bonds

Optional Redemption

The District reserves the right to redeem the Bonds maturing on and after February 15, 2036, in whole or in part, in denominations of \$5,000 of the principal amount or any integral multiple thereof, on February 15, 2035 or any date thereafter, at the redemption price of par plus accrued interest to the date of redemption. When the Bonds or portions thereof have been called for redemption and due provisions have been made to redeem the Bonds, the amounts so redeemed shall be payable solely from the funds provided for redemption, and interest that would otherwise accrue on the Bonds or portions thereof called for redemption shall terminate on the date fixed for redemption.

Mandatory Redemption

The Bonds maturing on February 15 in the years 2047 and 2049 (the "Term Bonds") are also subject to mandatory sinking fund redemption prior to stated maturity from moneys required to be deposited into the interest and sinking fund for such purpose and shall be redeemed in part, by lot or other customary method, at the principal amount thereof plus accrued interest to the date of redemption in the following principal amounts on February 15 in each of the years as set forth below:

\$1,485,000 Term Bond		\$1,640,000 Term Bond	
Due February 15, 2047		Due February 15, 2049	
Date 2/15	Principal Amount (\$)	Date 2/15	Principal Amount (\$)
2046	720,000	2048	800,000
2047*	765,000	2049*	840,000

*Stated Maturity

The particular Term Bonds to be redeemed on each redemption date shall be chosen by lot by the Paying Agent/Registrar; provided, however, that the principal amount of Term Bonds for a Stated Maturity required to be redeemed on a mandatory redemption date may be reduced, at the option of the District, by the principal amount of Term Bonds of like maturity which, at least fifty (50) days prior to a mandatory redemption date, (1) shall have been acquired by the District at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation or (2) shall have been redeemed pursuant to the optional redemption provisions appearing below and not theretofore credited against a mandatory redemption requirement.

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 cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

Notice of Redemption

Not less than 30 days prior to a redemption date for the Bonds, the District shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to each registered owner of a Bond to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN WHETHER OR NOT RECEIVED BY THE BONDHOLDER, AND, SUBJECT TO PROVISION FOR PAYMENT OF THE REDEMPTION PRICE HAVING BEEN MADE AND THE SATISFACTION OF ANY OTHER CONDITION SPECIFIED IN THE NOTICE, INTEREST ON THE REDEEMED BONDS SHALL CEASE TO ACCRUE FROM AND AFTER SUCH REDEMPTION DATE NOTWITHSTANDING THAT A BOND HAS NOT BEEN PRESENTED FOR PAYMENT.

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Bond Order and the Pricing Certificate have been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed has been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption is conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the District will not redeem such Bonds, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that such Bonds have been redeemed.

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

Any Bond(s) will be deemed paid and shall no longer be considered to be outstanding within the meaning of the Order when payment of the principal of and interest on such Bond(s) to its stated maturity or redemption date has been made or will have been provided by depositing with an authorized escrow agent: (1) cash in an amount sufficient to make such payment; (2) Government Obligations (defined below) certified, in the case of a net defeasance, by an independent public accounting firm of national reputation, the District's Municipal Advisor, the Paying Agent/Registrar, or another qualified third party certifying such maturities and interest payment dates and bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment; or (3) a combination of moneys and Government Obligations together so certified sufficient to make such payment.

The Order provides that "Government Obligations" means: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America; (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District authorizes the defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that on the date the governing body of the District adopts or approves the proceedings authorizing

the financial arrangements have been refunded and that are, on the date of the governing body of the District authorizes the defeasance, rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; or (d) any additional securities and obligations hereafter authorized by Texas law as eligible for use to accomplish the discharge of obligations such as the Bonds. There is no assurance that the ratings for U.S. Treasury securities acquired to defease any Bonds, or those for any other Government Obligations, will be maintained at any particular rating category. Further, there is no assurance that current Texas law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of those securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Bonds ("Defeasance Proceeds"), though the District has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Order does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the District to use lawfully available Defeasance Proceeds to defease all or any portion of the Bonds, registered owners of the Bonds are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, notwithstanding the fact that such defeasance securities may not be of the same investment quality as those currently identified under Texas law as permissible defeasance securities.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, the District has the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption at an earlier date those Bonds which have been defeased to their maturity date, if the District (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call such Bonds for redemption, (ii) gives notice of the reservation of that right to the owners of such Bonds immediately following the making of the firm banking and financial arrangements, and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

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

Amendments

In the Order, the District has reserved the right to amend the Order without the consent of or notice to any holder for the purpose of amending or supplementing the Order in a manner not detrimental to the interests of the Owners, including the curing any ambiguity, inconsistency, or formal defect or omission therein that does not materially adversely affect the interests of the holders.

The Order further provides that the majority of owners of the Bonds shall have the right from time to time to amend, add to or rescind any provisions of the Order as it relates to the Bonds if it is deemed necessary or desirable by the District; provided, however, that without the consent of 100% of the holders in principal amount of the then outstanding Bonds so affected, no such amendment, addition, or rescission shall: (i) extend the time or times of payment of the principal of or interest on the Bonds, reduce the principal amount thereof, the redemption price, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Bonds, (ii) give any preference to any Bond over any other Bond, or (iii) reduce the aggregate principal amount of Bonds required to be held by owners of Bonds for consent to any such amendment, addition, or rescission. Reference is made to the Order for further provisions relating to the amendment thereof.

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" 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 receipt of an approving opinion of the Attorney General of the State of Texas and the opinion of the District's Co-Bond Counsel, Frost Brown Todd LLP, Houston, Texas, and Powell Law Group, LLP, Austin, Texas. See "APPENDIX C – FORMS OF CO-BOND COUNSEL'S OPINION AND TAX COUNSEL'S OPINION" attached hereto.

Delivery

When issued; anticipated to occur on or about December 2, 2025.

Future Issues

The District has no authorized but unissued ad valorem tax bonds. Aside from the Bonds and any future refunding bonds issued for debt service savings, the District does not anticipate the issuance of additional new money ad valorem tax-supported debt in the next twelve months.

The District's voters could authorize the issuance of additional new money bonds at a future election. In addition, the District may, without voter approval, incur other financial obligations payable from its collection of taxes and other sources of revenue, including maintenance tax notes payable from its collection of maintenance and operations taxes, public property finance contractual obligations payable from its collection of debt service taxes, delinquent tax notes, and leases for various purposes payable from State appropriations and surplus maintenance and operations taxes.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. The Order provides 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 registered owner entitled to receive a payment of interest on any Bond is the close of business on the last business day of the month preceding each interest payment date.

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 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 Underwriter 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 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 Order and summarized under the caption "REGISTRATION, TRANSFER AND EXCHANGE" above.

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

Subject to satisfying certain conditions, the payment of the Bonds will be guaranteed by the corpus of the Permanent School Fund of the State of Texas. In the event of default, registered owners will receive all payments due on the Bonds from the Permanent School Fund, and the Charter District Bond Guarantee Reserve would be the first source to pay debt service if a charter school was unable to make

such payment. See “APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” 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.

AD VALOREM TAX PROCEDURES

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

Valuation of Taxable Property

The Property Tax Code provides for 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 Fayette County Appraisal District (“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 future legislation, through December 31, 2026, an appraisal district may only increase the appraised value of real property during the 2025 tax year on certain non-homestead properties (the “Subjected Property”) whose appraised values are not more than \$5.16 million to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. The maximum property value may be increased or decreased by the product of the preceding state fiscal year’s increase or decrease in the consumer price index, as applicable, to the maximum property value.

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

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the District, in establishing their tax rolls and tax rates. See “AD VALOREM TAX PROCEDURES — District and Taxpayer Remedies” herein.

State-Mandated Homestead Exemptions

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

Contingent on voter approval at a Statewide election to be held on November 4, 2025, legislation enacted during the 89th Regular Session 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.*

*According to news reports based on unofficial election reports, these constitutional amendments were approved by the voters. However, the election results will not be official until canvassed by the Governor, which will occur between November 19, 2025 and December 4, 2025.

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 (as described in (1) above) that was granted in tax year 2022 through December 31, 2027.

State-Mandated Freeze on School District Taxes

Except for increases attributable to certain improvements, a school district is prohibited from increasing the total ad valorem tax on the 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 persons sixty-five (65) years of age or older, but not the disabled.

Personal Property

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

Freeport and Goods-in-Transit Exemptions

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

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

Other Exempt Property

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

*According to news reports based on unofficial election reports, this constitutional amendment was approved by the voters. However, the election results will not be official until canvassed by the Governor, which will occur between November 19, 2025 and December 4, 2025.

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. The Legislature amended Section 11.35, Texas Tax Code, to clarify that "damage" for the purposes of such statute is limited to "physical damage." For more information on the exemption, reference is made to Section 11.35, 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 and other overlapping taxing units may agree to contribute taxes levied against the "Incremental Value" in the TIRZ to finance or pay for project costs, as defined in Chapter 311, Texas Government Code, generally located within the TIRZ. 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 "Incremental Value," and during the existence of the TIRZ, all or a portion of the taxes levied by each participating taxing unit against the Incremental Value in the TIRZ, are restricted to paying 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 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, school districts may not reduce their taxable property value to reflect losses for TIRZs 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, during the ten-year term of a tax limitation agreement, a school district may only levy and collect M&O taxes on the agreed-to limited appraised property value. For the purposes of calculating its Tier One and Tier Two entitlements, the portion of a school district's property that 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. The 87th Texas Legislature did not vote to extend this program, which expired by its terms on December 31, 2022. (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - State Funding for School Districts" herein).

Tax Abatement Agreements

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

In the 88th Texas Legislative Session, House Bill 5, codified as Chapter 403, Subchapter T, Texas Government Code, as amended ("Chapter 403"), was enacted into law. Under Chapter 403, a school district may offer a 50% abatement on taxable value for maintenance and operations ad valorem 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 the Bonds cannot be abated under Chapter 403. Eligible projects must involve manufacturing, provision of utility services, including dispatchable electric generation facilities, facilities related to the development of natural resources, facilities engaged in the research, development or manufacture of high-tech equipment or technology, or critical infrastructure projects; and projects must create and maintain jobs, as well as meet certain minimum investment requirements. The District 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 1.2 million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount 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 PROPERTY TAX CODE AS APPLIED TO THE DISTRICT

The Appraisal District has the responsibility for appraising property in the District as well as other taxing units in Fayette County. The Appraisal District is governed by a board of directors appointed by members of the governing bodies of various political subdivisions within the County.

Property within the District is assessed as of January 1 of each year, taxes become due October 1 (or when tax bills are mailed, whichever is later) of the same year and generally become delinquent on February 1 of the following year.

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

The District's taxes are collected by Fayette County Appraisal District.

The District does not allow split payments of taxes and does not give discounts for early payment of taxes.

The District has not granted any tax abatements.

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

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

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

The District has not granted a State mandated additional exemption of 20% of the market value of residence homesteads.

The District has not granted a local homestead exemption for taxpayers who are at least 65 years of age or disabled.

The District does not tax non-business personal property.

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

The District does not tax freeport property.

The District does not exempt goods-in-transit from taxation.

The District has not granted a tax abatement under the Chapter 403 Property Value Limitations.

The District has entered into an Economic Development Agreement authorized under Chapter 313, Texas Tax Code, as amended, limiting the taxable appraised value for maintenance and operation purpose for maintenance and operations, beginning tax year 2023 and extending through tax year 2032, with 7V Solar Ranch, LLC.

It is significant to note that the value limitation applies only to the maintenance and operations taxes of the District; the total assessed value of this property is used for purposes of the debt service taxes that secure the Bonds.

* According to news reports based on unofficial election reports, these constitutional amendments were approved by the voters. However, the election results will not be official until canvassed by the Governor, which will occur between November 19, 2025 and December 4, 2025.

† According to news reports based on unofficial election reports, these constitutional amendments were approved by the voters. However, the election results will not be official until canvassed by the Governor, which will occur between November 19, 2025 and December 4, 2025.

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

Month	Cumulative Penalty	Cumulative Interest ^(b)	Total
February	6%	1%	7%
March	7%	2%	9%
April	8%	3%	11%
May	9%	4%	13%
June	10%	5%	15%
July	32% ^(a)	6%	38%

(a) Includes additional penalty of 20% assessed after July 1 in order to defray attorney collection expenses.

(b) 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 constitutional amendments that will be submitted to the voters at an election to be held on November 4, 2025. See “– 2025 Legislative Sessions,” below. For a more complete description of school finance and fiscal management in the State, reference is made to Chapters 43 through 49 of the Texas Education Code, as amended. Additionally, prospective investors are encouraged to review the Property Tax Code (as defined herein) for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the defined tax rates.

Local funding for school districts is derived from collections of ad valorem taxes levied on property located within each school district’s boundaries. School districts are authorized to levy two types of property taxes: (i) a maintenance and operations (“M&O”) tax to pay current expenses and (ii) an interest and sinking fund (“I&S”) tax to pay debt service on bonds. School districts may not increase their M&O tax rate for the purpose of creating a surplus in M&O tax revenues to pay the district’s debt service on bonds. School districts are required 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 subject to wide variation; however, the public school finance funding formulas generally are designed to 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 (such special sessions, together with the 89th Regular Session hereinafter referred to as the “2025 Legislative Sessions”).

The Governor has called a first and second special session; the second began on August 15, 2025 and concluded on September 4, 2025. The agenda for the special session included 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, (xviii) the state judicial department, (xix) camp safety, (xx) penalties for willfully absent legislators, (xxi) purchasing ivermectin at pharmacies, (xxii) authorizing a groundwater study of East Texas aquifers, (xxiii) banning same day voter registration, and (xxiv) authorizing certain contracts with sheriffs/constables and related transfers of funds. The Governor has also identified several bills that were vetoed or filed without signature that were placed on the special session agendas for further consideration. Additional special sessions may be called by the 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 signed into law would increase: (1) effective January 1, 2025, the State mandated general homestead exemption from \$100,000 to \$140,000, (2) effective January 1, 2025, 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) effective January 1, 2026, the exemption for tangible personal property used in the production of income from the current \$2,500 to \$125,000. * Additionally, legislation signed into law authorizes roughly \$8.5 billion in funding for public schools and would provide districts with a \$55 per-student increase to their base funding, as well as provide districts with additional funding for teacher and staff salaries, educator preparation, special education, safety requirements and early childhood learning. Finally, legislation signed into law will create an education savings account (“ESA”) program (commonly referred to as vouchers) for students that attend private schools or home school. The legislation became effective on September 1, 2025, when the state fiscal biennium began, though families will not receive ESA funds until the 2026-2027 school year. The amount spent for purposes of the program for the 2026-2027 biennium may not exceed \$1 billion. Beginning on September 1, 2027, the legislation requires the Legislature to re-appropriate funds for the program for each subsequent State fiscal biennium. Such program could impact attendance in the District by incentivizing students to homeschool or attend private schools, which could negatively affect the District’s attendance-based funding.

*According to news reports based on unofficial election reports, these constitutional amendments were approved by the voters. However, the election results will not be official until canvassed by the Governor, which will occur between November 19, 2025 and December 4, 2025.

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 SCP is the lesser of three alternative calculations: (1) 93% or a lower percentage set by appropriation for a school year; (2) a percentage determined by formula if the estimated total taxable property value of the State (as submitted annually to the Legislature by the State Comptroller) has increased by at least 2.5% over the prior year; and (3) the prior year SCP. For any year, the maximum SCP is 93%. For the State fiscal year ending in 2026, the SCP is set at 63.22%.

Maximum Compressed Tax Rate. The Maximum Compressed Tax Rate (the "MCR") is the tax rate per \$100 of valuation of taxable property at which a school district must levy its Tier One Tax Rate to receive the full amount of the Tier One funding to which the school district is entitled. The MCR is equal to the lesser of two alternative calculations: (1) the school district's current year SCP multiplied by \$1.00; or (2) a percentage determined by formula if the school district experienced a year-over-year increase in property value of at least 2.5% if the increase in property value is less than 2.5%, then the MCR is equal to the prior year MCR. However, each year the TEA shall evaluate the MCR for each school district in the State, and for any given year, if a school district's MCR is calculated to be less than 90% of any other school district's MCR for the current year, then the school district's MCR is instead equal to the school district's prior year MCR, until TEA determines that the difference between the school district's MCR and any other school district's MCR is not more than 10%. These compression formulas are intended to more closely equalize local generation of Tier One funding among districts with disparate tax bases and generally reduce the Tier One Tax Rates of school districts as property values increase. During the 2025 Legislative Session, the Legislature took action to reduce the MCR for the 2025-2026 school year, establishing \$0.6322 as the maximum rate and \$0.5689 as the floor. The District's MCR for the 2025-2026 school year is \$0.6169.

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 Regular Session, 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 exemption as proposed by the constitutional amendment does not take effect, beginning on September 1, 2025, and up until September 1, 2029, the Education Commissioner may adjust school districts' MCRs for the 2025-2026 school year accordingly. Before making an adjustment, the Education 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.

*According to news reports based on unofficial election reports, this constitutional amendment was approved by the voters. However, the election results will not be official until canvassed by the Governor, which will occur between November 19, 2025 and December 4, 2025.

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

State Funding for School Districts

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

The first level of funding, Tier One, is the basic level of funding guaranteed to all school districts based on a school district's Tier One Tax Rate. Tier One funding may then be "enriched" with Tier Two funding. Tier Two provides a guaranteed entitlement for each cent of a school district's Enrichment Tax Rate, allowing a school district to increase or decrease its Enrichment Tax Rate to supplement Tier One funding at a level of the school district's own choice. While Tier One funding may be used for the payment of debt service (except for school districts subject to the recapture provisions of Chapter 49 of the Texas Education Code, as 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.

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 a school district with a Tier One Tax Rate equal to the school district's MCR, is \$6,160 plus the guaranteed yield increment adjustment (the "GYIA") for each student in ADA and is revised downward for a school district with a Tier One Tax Rate lower than the school district's MCR. The GYIA is established by October 1 of each even-numbered year for the subsequent biennium. For 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 allotment to increase teacher compensation and retention in disadvantaged or rural school districts. A school district's total Tier One funding, divided by the district's Basic Allotment is a school district's measure of students in "Weighted Average Daily Attendance" ("WADA"), which serves to calculate Tier Two funding.

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

Beginning with the 2026-2027 fiscal biennium, school districts will also receive an annual allotment of \$106 per enrolled student. The funds under this allotment may only be used for specific operational costs related to transportation, hiring retired teachers, providing health insurance and employee benefits and paying for payroll taxes, contributions and other costs related to member contributions under the Teacher Retirement System of Texas, utilities, and property and casualty insurance.

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

Existing Debt Allotment, Instructional Facilities Allotment, and New Instructional Facilities Allotment. The Foundation School Program also includes facilities funding components consisting of the IFA and the EDA, subject to legislative appropriation each State fiscal biennium. To the extent funded for a biennium, these programs assist school districts in funding facilities by, generally, equalizing a school district's I&S tax effort. The IFA guarantees each awarded school district a specified amount per student (the "IFA Yield") in State and local funds for each cent of I&S tax levied to pay the principal of and interest on eligible bonds issued to construct, acquire, renovate or improve instructional facilities. The IFA Yield has been \$35 since 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 Education Commissioner. In the 89th Regular Session, the Legislature appropriated funds in the amount of \$150,000,000 for each fiscal year of the 2026-2027 State fiscal biennium for NIFA allotments.

Tax Rate and Funding Equity. The 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.

If voters approve of the increased homestead exemptions described herein, beginning with the 2026-2027 school year, school districts will be held harmless and entitled to additional state aid to the extent that state and local revenue used to service eligible debt is less than the state and local revenue that would have been available to the district under state law providing for state aid to districts to account for increases in the general residence homestead exemption and the elderly or disabled tax ceiling, if any increase in a residence homestead

exemption under the Texas Constitution, and any additional limitation on tax increases under the elderly or disabled tax ceiling had not occurred.*

Local Revenue Level in Excess of Entitlement

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

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

Options for Local Revenue Levels in Excess of Entitlement. Under Chapter 49, a school district has six (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 2025-2026 school year, the District was designated as a Chapter 49 school district with "excess local revenue" by TEA. Accordingly, the District has entered into a wealth equalization agreement with the Commissioner for the purchase of attendance credit for the 2025-2026 school year, for the purpose of implementing a permitted wealth equalization option.

A district's excess local revenue "must be tested for each future school year and, if it exceeds the maximum permitted level, the District must reduce its wealth per student by the exercise of one of the permitted wealth equalization options. If the District were to consolidate

*According to news reports based on unofficial election reports, these constitutional amendments were approved by the voters. However, the election results will not be official until canvassed by the Governor, which will occur between November 19, 2025 and December 4, 2025.

(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 November 14, 1972 under former Chapter 20, Texas Education Code (now codified at Section 45.003, Texas Education Code).

The maximum M&O tax rate per \$100 of taxable assessed value that may be adopted by an independent 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.

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" herein.

Section 45.0031 of the Texas Education Code, as amended, requires a school district to demonstrate to the Attorney General of the State of Texas 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 50-cent Test and which is received or to be received in that year. Additionally, a school district may demonstrate its ability to comply with the 50-cent Test by applying the \$0.50 tax rate to an amount equal to 90% of projected future taxable value of property in the school district, as certified by a registered professional appraiser, anticipated for the earlier of the tax year five (5) years after the current tax year or the tax year in which the final payment for the bonds is due. However, if a school district uses projected future taxable values to meet the 50-cent Test and subsequently imposes a tax at a rate greater than \$0.50 per \$100 of valuation to pay for bonds subject to the 50-cent Test, then for subsequent bond issues, the Texas Attorney General must find that the school district has the projected ability to pay principal and interest on the proposed bonds and all previously issued bonds subject to the 50-cent Test from a tax rate of \$0.45 per \$100 of valuation. Once the prospective ability to pay such tax has been shown and the bonds are issued, a school district may levy an unlimited tax to pay debt service. The Bonds are issued as refunding bonds pursuant to Chapter 1207, Texas Government Code, and are, therefore, not subject to the 50-cent Test; however, taxes levied to pay debt service on the Bonds are included in the calculation of the 50-cent Test as applied to subsequent issues of "new debt."

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 SCP, 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 refunding bonds pursuant to Chapter 1207, Texas Government Code, and are therefore not 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" or "TRS"), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan. 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 – G. 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 – H. Defined Other Post-Employment Benefit Plan" 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 \$2,504,784.

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

Legal Opinions

The District will furnish the Underwriter a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of the State to the effect that the Bonds are valid and legally binding obligations of the District, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Co-Bond Counsel, to the effect that the Bonds are valid and legally binding obligations of the District and, subject to the qualifications set forth herein under "TAX MATTERS," the opinion of Tax Counsel to the effect that the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under existing statutes, published rulings, regulations, and court decisions. Co-Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Co-Bond Counsel, such firm has reviewed the information under the captions "PLAN OF FINANCING" (except the subcaption "Sources and Uses of Funds" as to which no opinion is expressed), "THE BONDS" (exclusive of the subcaptions "Payment Record," "Default and Remedies," "Permanent School Fund Guarantee," and "Future Issues," as to which no opinion is expressed), "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" (except information appearing under the subcaption "Possible Effects of Changes in Law on District Bonds" as to which no opinion is expressed), "CURRENT PUBLIC SCHOOL FINANCE SYSTEM," "TAX RATE LIMITATIONS – M&O Tax Rate Limitations" (first paragraph only), "LEGAL MATTERS - Legal Opinions" (excluding the last two sentences of this paragraph and the information under the subcaption "Litigation" as to which no opinion is expressed), "TAX MATTERS" (to be opined upon by Tax Counsel only), "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," "CONTINUING DISCLOSURE" (excluding the information under the subcaption "Compliance with Prior Agreements," as to which no opinion is expressed), and "OTHER PERTINENT INFORMATION - Registration and Qualification of Bonds for Sale" in the Official Statement, and each such firm is 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 Order. The legal fee to be paid Co-Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. Co-Bond Counsel's legal opinion will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriter by its counsel, Leon Alcala, PLLC whose compensation is contingent on the sale and delivery of the Bonds.

Though they may represent the Municipal Advisor and the Underwriter from time to time in matters unrelated to the Bonds, Co-Bond Counsel and tax 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 express 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 Underwriter with a certificate to the effect that, to the best of their knowledge, except as disclosed in this Official Statement, (i) there is no litigation or other proceeding pending against or, to their knowledge, threatened against the District in any court, agency, or administrative body (either State or federal) wherein an adverse decision would materially adversely affect the financial condition of the District and (ii) no litigation of any nature has been filed or is then pending challenging the issuance of the Bonds or that affects the payment and security of the Bonds or in any other manner questioning the issuance, sale, or delivery of the Bonds.

TAX MATTERS

Tax Exemption

The delivery of the Bonds is subject to the opinion of Tax Counsel to the effect that interest on the Bonds for federal income tax purposes (i) is excludable from gross income of the owners thereof pursuant to Section 103 of the Code, and (ii) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest on the Bonds may be taken into account for the purpose of computing the federal alternative minimum tax imposed on corporations. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change. A form of Tax Counsel's opinion appears in APPENDIX C attached hereto.

For tax years beginning after December 31, 2022, corporations that are classified as an "applicable corporation" (as defined in Section 59(k) of the Code) may be subject to an alternative minimum tax imposed under section 55 of the Code on their "adjusted financial statement income" (as defined in Section 56A of the Code) for such taxable year. Because interest on tax-exempt obligations, such as the Bonds, is included in an applicable corporation's "adjusted financial statement income," ownership of the Bonds could subject an applicable corporation to alternative minimum tax consequences.

In rendering the foregoing opinions, Frost Brown Todd LLP, Houston, Texas, as Tax 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 Bond Order subsequent to the issuance of the Bonds. The Bond Order contains 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, Frost Brown Todd LLP, Houston, Texas, as Tax 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. Tax 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 Tax Counsel, and Tax 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

Any Bonds that have an original yield above their interest rate, as set forth herein (for purposes of this section, the "Tax-Exempt OID Bonds"), are being initially offered and sold to the public at an original issue discount ("OID") from the amounts payable at maturity thereon. OID is the excess of the stated redemption price of a bond at maturity (the face amount) over the "issue price" of such bond. The issue price is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of bonds of the same maturity are sold pursuant to that initial offering. For federal income tax purposes, OID on each bond will accrue over the term of the bond. The amount accrued will be based on a single rate of interest, compounded semiannually (the "yield to maturity") and, during each semi-annual period, the amount will accrue ratably on a daily basis. The OID accrued during the period that an initial purchaser of a Tax-Exempt OID Bond at its issue price owns it is added to the purchaser's tax basis for purposes of determining gain or loss at the maturity, redemption, sale or other disposition of that Tax-Exempt OID Bond. In practical effect, accrued OID is treated as stated interest, that is, excludible from gross income for federal income tax purposes.

In addition, original issue discount that accrues in each year to an owner of a Tax-Exempt OID Bond is included in the calculation of the distribution requirements of certain regulated investment companies and may result in some of the ancillary federal income tax consequences discussed above. Consequently, owners of any Tax-Exempt OID Bond should be aware that the accrual of original issue discount in each year may result in an corporate alternative minimum tax liability, if applicable, additional distribution requirements or other ancillary federal income tax consequences although the owner of such Tax-Exempt OID Bond has not received cash attributable to such original issue discount in such year.

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

"Acquisition Premium" is the excess of the cost of a bond over the stated redemption price of such bond. Any Bonds that are being sold at original yield below their interest rate, as set forth herein (collectively, the "Premium Bonds"), are being initially offered and sold to the public with Acquisition Premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Bond, based on the yield to maturity of that Premium Bond (or, in the case of a Premium Bond callable prior to its stated maturity, the amortization period may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Bond), compounded semiannually. This amount is amortized ratably over that semiannual period on a daily basis. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Bond, the owner's tax basis in the Premium Bond is reduced by the amount of bond premium that is amortized during the period of ownership. For federal income tax purposes, the amount of Acquisition Premium on the Premium Bonds must be amortized and will reduce the bondholder's adjusted basis in that bond; however, no amount of amortized Acquisition Premium on the Premium Bonds may be deducted in determining bondholder's taxable income for federal income tax purposes. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Bond for an amount equal to or less than the amount paid by the owner for that Premium Bond. A purchaser of a Premium Bond in the initial public offering who holds that Premium Bond to maturity (or, in the case of a callable Premium Bond, to its earlier call date that results in the lowest yield on that Premium Bond) will realize no gain or loss upon the retirement of that Premium Bond.

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 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 in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended ("Rule 15c2-12"). 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 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"), 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 B 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's current fiscal year end is August 31. Accordingly, it must provide updated information other than the financial statements by the last day of February in each year and the financial statements by the last day of August in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will file notice of the change (and of the date of the new fiscal year end) with the MSRB prior to the next date by which the District otherwise would be required to provide financial information and operating data as set forth above.

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

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.

For the purposes of the above describe event notices (15) and (16), the term "financial obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii); provided however, that a "financial obligation" shall not include municipal securities as to which a final official statement (as defined in Rule 15c2-12) has been provided to the MSRB consistent with Rule 15c2-12.

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

On April 13, 2021, Moody's Investors Service, Inc. ("Moody's") upgraded the rating of the District's general obligation unlimited tax bonds from A1 to Aa3; however, the District did not file notice of the upgrade. On October 22, 2025, the District filed a notice of the upgrade along with a notice of failure to file. Otherwise, the District has complied in all material respects with all continuing disclosure agreements made in accordance with Rule 15c2-12 during the last five years.

EFFECTS OF SEQUESTRATION ON CERTAIN OBLIGATIONS

The District has previously issued its Unlimited Tax Qualified School Construction Bonds, Taxable Series 2011 (the "Affected Bonds"), which receive refundable credits under section 6431 of the Internal Revenue Code (the "Code") applicable to certain qualified bonds ("Subsidy Payments"). Subject to sequestration described in this subcaption, the amount of the Subsidy Payments is equal to approximately 97% of the interest payable by the District on the Affected Bonds.

The Budget Control Act of 2011 (the "Budget Control Act") provided for increases in the federal debt limit and established procedures designed to reduce the federal budget deficit. The Budget Control Act provided that a failure by Congress to otherwise reduce the deficit would result in sequestration: automatic, generally across-the-board spending reductions. Sequestration under the Budget Control Act took effect on March 1, 2013, and the District has received reduced Subsidy Payments for the Affected Bonds since that date. The amount of the reduction of the Subsidy Payments under the Budget Control Act has ranged and is currently expected to range from a high of 8.7% in 2013 to a low of 5.7% for federal fiscal years 2021 through 2030.

The Statutory Pay-As-You-Go Act of 2010 (the "PAYGO Act") provided a sequestration procedure similar to the Budget Control Act that is based on an annual "scorecard" evaluation of new federal legislation that impacts revenues and spending. If the scorecard shows that new legislation which is not excepted from the PAYGO Act causes spending to exceed revenues over five and ten year periods, then sequestration of up to 100% applies against certain federal programs, including the Subsidy Payments. PAYGO Act sequestration has not occurred previously, but the District can make no representations as to whether sequestration could negatively impact the District with respect to the Affected Bonds. Additionally, Congress can terminate, extend, or otherwise modify Subsidy Payments due to sequestration at any time.

It is anticipated that Subsidy Payments to the District for such Affected Bonds will be, to some extent, reduced as described above. The District cannot and does not make any representation regarding the amount of Subsidy Payments that it will receive in the future. Pursuant to the order authorizing the issuance of the Affected Bonds, the District is required to make interest and principal payments on the Affected Bonds regardless of whether any Subsidy Payments are received. If the sequestration continues, the District may be required to increase ad valorem tax rates in order to pay additional debt service expenses on the Affected Bonds resulting from decreased Subsidy Payments. The District can make no prediction as to the length or long-term effects of the sequestration.

WEATHER

The District is located in Central Texas. Land located in this area is susceptible to severe thunderstorms, heavy rain, hail, high winds, wildfires 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 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.

CONCENTRATION OF TAX BASE AND EXPOSURE TO UTILITIES AND OIL & GAS INDUSTRIES

As shown in "Table 4 – Largest Taxpayers, 2025" of "APPENDIX A – SELECTED FINANCIAL INFORMATION REGARDING THE DISTRICT" the top ten taxpayers in the District currently account for, in the aggregate, over 40% of the District's tax base and the top taxpayer alone accounts for over 25% of the District's tax base. The valuation of solar and other utilities within the State (such as those comprising a portion of the District's tax base), as determined by respective appraisal districts, have been subject to litigation related to the taxable value of such property. Taxpayers in the solar and alternative energy sector have also increasingly challenged their property tax values on the basis that intangible property values have been inappropriately included in the taxable value of their projects within the State. Further, electric utility facilities are also subject to transfer and sole ownership by another entity, including to local governments whose property is exempt from ad valorem taxation. The District can make no representations as to whether any taxpayer will challenge their taxable valuation or the impact of any such challenge and cannot make any representations as to whether utility facilities could be transferred to tax exempt entities. In addition, a portion of the District's assessed valuation is comprised of industries related to oil and gas, which are subject to fluctuation in terms of market valuation and availability (and events such as COVID-19 have significantly increased the volatility in this market sector in the past). Accordingly, the District makes no representation regarding the continued valuation of any of top ten taxpayers or the generation of future tax revenues therefrom. If any major taxpayer (or a combination of taxpayers) were to default in the payment of taxes, the ability of the District to timely pay debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax lien (which, in the event of bankruptcy, certain laws may preclude until the automatic stay is lifted). Such process is time-consuming and can only occur annually; in the alternative, the District may sell tax anticipation notes until such amounts could be collected, if ever. 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."

CYBERSECURITY

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

VERIFICATION OF ARITHMETICAL COMPUTATIONS

Public Finance Partners LLC (the "Verification Agent") will deliver to the District its verification report indicating that it has verified the mathematical accuracy of (a) the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Escrowed Securities to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Bonds and (b) the mathematical computations of yield used by Tax Counsel to support its opinion that interest on the Bonds will be excluded from gross income for federal income tax purposes.

The Verification Agent relied on the accuracy, completeness and reliability of all information provided to it by, and on all decisions and approvals of, the District. In addition, the Verification Agent will rely on any information provided to it by the District's retained advisors, consultants or legal counsel. The verification report will be relied upon by Tax Counsel in rendering its opinion with respect to the tax exemption of interest on the Bonds and Co-Bond Counsel in rendering their opinions with respect to the defeasance of the Refunded Bonds.

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 Underwriter to register or qualify the sale of the Bonds under the securities laws of any jurisdiction which so requires. The District agrees to cooperate, at the Underwriter's written request and sole expense, in registering or qualifying the Bonds or in obtaining an exemption from registration or qualification in any state where such action is necessary; provided, however, that the District shall not be required to qualify as a foreign corporation or to execute a general or special consent to service of process in any jurisdiction.

Municipal Bond Rating

The Bonds are rated "Aaa" by Moody's Investors Service Inc. ("Moody's") by virtue of the guarantee of the Permanent School Fund of the State of Texas. The presently outstanding debt of the District, including the Bonds, is rated "Aa3" by Moody's without regard to credit enhancement.

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 Co-Bond Counsel and Tax 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 Underwriter has agreed, subject to certain conditions, to purchase the Bonds from the District at the price equal to the initial offering prices to the public, as shown on inside cover page, less an Underwriter's discount of \$75,654.81. The Underwriter's obligation is subject to certain conditions precedent. The Underwriter will be obligated to purchase all of the Bonds, if any of the Bonds are purchased. Subject to certain hold-the-offering-price restrictions in the purchase agreement related to the Bonds that are of limited duration, the Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriter.

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

The Underwriter and its 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. The Underwriter and its 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 Underwriter and its 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 Underwriter and its 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.

Use of Audited Financial Statements

Roloff, Hnatek & Co., L.L.P., Victoria, Texas ("Roloff"), 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. Roloff 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 or the Underwriter.

The Bond Order authorized the Pricing Officer to approve the form and content of this Official Statement and any addenda, supplement or amendment thereto and authorized its further use in the re-offering of the Bonds by the Underwriter. This Official Statement was approved by the Pricing Officer of the District for distribution in accordance with the provisions of Rule 15c2-12.

FLATONIA INDEPENDENT SCHOOL DISTRICT

/s/ Chris Sodek
Superintendent, acting as Pricing Officer pursuant to the Bond Order

SCHEDULE I
REFUNDED BONDS

Series	Principal Amount (\$)	Maturities	Principal Being Redeemed	Interest Rates (%)	Redemption Date and Price
Flatonia Independent School District Unlimited Tax School Building Bonds Series 2019					
	100,000	02/15/2027	100,000	5.000	02/15/2026@100.00%
	100,000	02/15/2028	100,000	5.000	02/15/2026@100.00%
	300,000	02/15/2029	300,000	5.000	02/15/2026@100.00%
	325,000	02/15/2030	325,000	5.000	02/15/2026@100.00%
	345,000	02/15/2031	345,000	4.000	02/15/2026@100.00%
	370,000	02/15/2032	370,000	4.000	02/15/2026@100.00%
	390,000	02/15/2033	390,000	4.000	02/15/2026@100.00%
	410,000	02/15/2034	410,000	4.000	02/15/2026@100.00%
	435,000	02/15/2035	435,000	4.000	02/15/2026@100.00%
	470,000	02/15/2036	470,000	4.000	02/15/2026@100.00%
	495,000	02/15/2037	495,000	4.000	02/15/2026@100.00%
	525,000	02/15/2038	525,000	4.000	02/15/2026@100.00%
	555,000	02/15/2039	555,000	4.000	02/15/2026@100.00%
	2,600,000 ⁽¹⁾	02/15/2043	2,600,000	5.000	02/15/2026@100.00%
	5,310,000 ⁽²⁾	02/15/2049	5,310,000	5.000	02/15/2026@100.00%

⁽¹⁾ Represents stated maturity of a term bond (Term Bond 2043).

⁽²⁾ Represents stated maturity of a term bond (Term Bond 2049).

APPENDIX A

SELECTED FINANCIAL INFORMATION REGARDING THE DISTRICT

TABLE 1 - Valuation, Exemption & Tax Supported Debt

<u>District Direct Debt</u>	
2025 Certified Taxable Assessed Valuation ⁽¹⁾	\$1,015,037,454
Outstanding Debt	\$13,175,000
PLUS: The Bonds	12,520,000
LESS: Refunded Bonds	12,730,000
Net Outstanding Debt ⁽²⁾	<u>\$12,965,000</u>
As a % of 2025 Certified Taxable Assessed Valuation	1.28%

⁽¹⁾ Source: Fayette County Appraisal District. Such valuation does not include an increase in the State-mandated general residence homestead exemption from \$100,000 to \$140,000 and does not include an increase in the State-mandated residence homestead exemption for persons 65 years of age or older and the disabled from \$10,000 to \$60,000 pursuant to constitutional amendments which will be submitted to voters at a statewide election to be held on November 4, 2025. If voters approve the constitutional amendments authorizing such residence homestead exemption increases, the District's 2025/26 taxable assessed valuation is \$961,455,392. According to news reports based on unofficial election reports, these constitutional amendments were approved by the voters. However, the election results will not be official until canvassed by the Governor, which will occur between November 19, 2025 and December 4, 2025. Unless otherwise noted, all valuation figures throughout Appendix A do not assume passage of the constitutional amendments, include frozen values, and also reflect the valuation used for the I&S tax levy only (the M&O tax levy is limited by the District's Chapter 313 Agreement). See "AD VALOREM TAX PROCEDURES - Tax Limitation Agreements" and "THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT."

⁽²⁾ Does not include separately secured obligations (see "Table 10 – Other Obligations"). Treats cumulative sinking fund deposits made by the District on its Unlimited Tax Qualified School Construction Bonds, Taxable Series 2011 as repaid principal.

TABLE 2 - 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	3,632	\$472,327,512	\$130,046	\$13,880,000	2.94%	\$3,822
2023	3,830	531,786,318	145,496	13,645,000	2.57%	3,733
2024	3,954	634,716,713	160,525	13,410,000	2.11%	3,392
2025	4,061	1,021,341,723	251,500	13,175,000	1.29%	3,244
2026	4,131	1,015,037,454	245,712	12,710,000 ⁽³⁾	1.25%	3,077

⁽¹⁾ Source: The Municipal Advisory Council of Texas

⁽²⁾ Source: Fayette County Appraisal District

⁽³⁾ Includes the Bonds and excludes the Refunded Bonds. Assumes payment of principal coming due during the current fiscal year.

TABLE 3 - Tax Rate, Levy and Collection History

Fiscal Year Ended 8/31	Tax Year	Taxable Assessed Valuation ⁽¹⁾	Total Tax Rate ⁽¹⁾	Tax Levy	Current ⁽²⁾	Total ⁽²⁾
2022	2021	\$472,327,512	\$1.2437	\$5,512,320	97.02%	97.29%
2023	2022	531,786,318	1.1183	5,762,172	97.82%	100.26%
2024	2023	634,716,713	0.8951	5,373,186	98.82%	101.77%
2025	2024	1,021,341,723	0.8392	6,017,253	98.13% ⁽³⁾	98.13% ⁽³⁾
2026	2025	1,015,037,454	0.8237	6,096,339 ⁽⁴⁾	(In Process of Collection)	

⁽¹⁾ Source: Fayette County Appraisal District

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

⁽³⁾ Source: District's records as of October 1, 2025.

⁽⁴⁾ Estimated tax levy, subject to change.

TABLE 4 - Largest Taxpayers, 2025 ⁽¹⁾⁽²⁾

Taxpayer Name	Property Type	AV	% of Total
HA 7V Solar Ranch LLC	Solar Energy Plant	\$263,447,910	25.95%
Baytex Energy USA INC	Oil & Gas	39,949,519	3.94%
Union Pacific Railroad Co.	Railroad	28,235,400	2.78%
Rosewood Resources Inc.	Oil & Gas Drilling Services/Equipment	24,702,230	2.43%
Cal-Maine Foods Inc.	Food Packaging/Processing	13,882,036	1.37%
LCRA Transmission SVCS Corp	Electric Utility/Power Plant	10,711,300	1.06%
Oasis Pipeline Co. TX LP	Oil & Gas Pipeline	10,711,300	1.06%
Cal-Maine	Food Packaging/Processing	6,699,130	0.66%
HA 7V Solar Ranch	Solar Energy Plant	5,879,600	0.58%
MCA Petroleum Corporation	Oil & Gas	5,411,810	0.53%
Top 10 Totals:		\$409,630,235	40.36%

⁽¹⁾ Source: Fayette County Appraisal District

⁽²⁾ As shown in the table above, the ten largest taxpayers in the District currently account for over 40% of the District's tax base, including the District's top taxpayer accounting for approximately 25% of the District's tax base with the majority of such property comprised of Solar and related business activities. Adverse developments in economic conditions, especially in the Solar industries, could adversely impact the businesses that own such properties 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 make timely payment of debt service on the 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." See also "CONCENTRATION OF TAX BASE AND EXPOSURE TO UTILITIES AND OIL & GAS INDUSTRIES" for a discussion of certain risks associated with concentration of the District's tax base.

TABLE 5 - Tax Adequacy

2026 Principal and Interest Requirements	\$823,651	(1)
\$0.0829 Tax Rate at 98% Collections Produces	\$824,637	(2)
Average Annual Principal and Interest Requirements, 2026-2049	\$861,268	(1)
\$0.0866 Tax Rate at 98% Collections Produces	\$861,442	(2)
Maximum Annual Principal and Interest Requirements, 2027	\$1,112,403	(1)
\$0.1119 Tax Rate at 98% Collections Produces	\$1,113,110	(2)

(1) Includes the Bonds and excludes the Refunded Bonds. Amounts include assumed interest subsidy (see "EFFECTS OF SEQUESTRATION ON CERTAIN OBLIGATIONS").

(2) Based upon the 2025 Taxable Value of \$1,015,037,454.

TABLE 6 - Estimated Overlapping Debt (1)

Taxing Body	Gross Dollar Amount	As Of	% Overlapping	Dollar Overlap
Fayette County	\$530,059	9/30/2025	16.65%	\$88,255
Flatonia, City of	35,000	9/30/2025	100.00%	\$35,000
Flatonia ISD (2) (3)	\$12,965,000		100.00%	\$12,965,000
Total Direct and Estimated Overlapping Debt				\$13,088,255
Ratio of Direct Debt to Taxable Assessed Valuation				1.28%
Ratio of Direct and Overlapping Debt to Taxable Assessed Valuation				1.29%
Ratio of Direct and Overlapping Debt to Total Assessed Valuation				0.46%
Per Capita Direct and Overlapping Debt				\$3,168.30

(1) Source: Municipal Advisory Council of Texas

(2) Includes the Bonds and excludes the Refunded Bonds.

(3) Does not include separately secured obligations of the District (see "Table 10 – Other Obligations").

TABLE 7 - Authorized but Unissued Bonds

The District has no authorized but unissued unlimited tax bonds.

(1) Source: The Municipal Advisory Council of Texas

TABLE 8 - Unlimited Tax Debt Service Requirements ⁽¹⁾

Fiscal Year Ending 8/31	Outstanding Debt	Refunded Bonds	The Bonds				Net New Debt Service Requirements
			Principal	Interest	Total	Interest Subsidy	
2026	\$973,175	\$596,550	\$155,000	\$405,186	\$560,186	\$113,160	\$823,651
2027	1,004,050	694,050	350,000	565,563	915,563	113,160	1,112,403
2028	689,050	689,050	390,000	547,063	937,063	-	937,063
2029	879,050	879,050	390,000	527,563	917,563	-	917,563
2030	888,425	888,425	395,000	507,938	902,938	-	902,938
2031	893,400	893,400	405,000	487,938	892,938	-	892,938
2032	904,100	904,100	415,000	467,438	882,438	-	882,438
2033	908,900	908,900	425,000	446,438	871,438	-	871,438
2034	912,900	912,900	440,000	424,813	864,813	-	864,813
2035	921,000	921,000	460,000	402,313	862,313	-	862,313
2036	937,900	937,900	480,000	378,813	858,813	-	858,813
2037	943,600	943,600	500,000	354,313	854,313	-	854,313
2038	953,200	953,200	525,000	328,688	853,688	-	853,688
2039	961,600	961,600	480,000	303,563	783,563	-	783,563
2040	970,750	970,750	510,000	278,813	788,813	-	788,813
2041	980,250	980,250	545,000	252,438	797,438	-	797,438
2042	987,750	987,750	580,000	224,313	804,313	-	804,313
2043	993,250	993,250	615,000	197,513	812,513	-	812,513
2044	1,001,625	1,001,625	650,000	172,213	822,213	-	822,213
2045	1,012,625	1,012,625	685,000	145,084	830,084	-	830,084
2046	1,021,125	1,021,125	720,000	116,106	836,106	-	836,106
2047	1,032,000	1,032,000	765,000	85,478	850,478	-	850,478
2048	1,040,125	1,040,125	800,000	52,700	852,700	-	852,700
2049	1,045,500	1,045,500	840,000	17,850	857,850	-	857,850
Total	\$22,855,350	\$22,168,725	\$12,520,000	\$7,690,129	\$20,210,129	\$226,320	\$20,670,434
Average Annual Debt Service Requirements							\$861,268
Maximum Annual Debt Service Requirements							\$1,112,403

⁽¹⁾ Includes Cumulative Sinking Fund Deposits as payments related to the Unlimited Tax Qualified Construction Bonds, Taxable Series 2011 (Direct-Pay Subsidy Bonds). Interest subsidy payments are subject to reduction as described in "EFFECTS OF SEQUESTRATION ON CERTAIN OBLIGATIONS."

TABLE 9 - Interest and Sinking Fund Budget Projection

Interest & Sinking Fund Balance, 9/1/2025 ⁽¹⁾	\$1,112,507
Tax Supported Debt Service Requirements for FYE 2026 ⁽²⁾	\$823,651
Projected Interest & Sinking Fund Tax Revenue ⁽³⁾	648,148
Debt Subsidy from Texas Education Agency	-
ASAHE from Texas Education Agency ⁽⁴⁾	\$61,514
Transfers In/(Out)	-
Projected Interest & Sinking Fund Balance, 8/31/2026 (Ending)	\$998,518
Net Increase/(Decrease) in Fund Balance	(\$113,988)

⁽¹⁾ Source: District's unaudited records as of August 31, 2025.

⁽²⁾ Includes the Bonds and excludes the Refunded Bonds.

⁽³⁾ Based upon 2025 Freeze Taxable Assessed Valuation of \$928,438,311 and the 2025 I&S Tax Rate.

⁽⁴⁾ Source: TEA 2025-2026 Summary of Finances dated July 22, 2025.

TABLE 10 - Other Obligations ⁽¹⁾

During the year ended August 31, 2024, the District entered into a sixty-month lease as a lessee for the use of a phone system. An initial lease liability was recorded in the amount of \$97,302. As of August 31, 2025, the value of the lease liability is \$75,880. In accordance with the lease agreement, the District is required to make monthly fixed payments of \$1,748. The District used a 3% discount rate for this arrangement based on the estimated incremental borrowing rate.

<u>Year Ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$18,965	\$2,010	\$20,975
2027	19,540	1,435	20,975
2028	20,132	843	20,975
2029	17,243	237	17,480
	<u>\$75,880</u>	<u>\$4,525</u>	<u>\$80,405</u>

⁽¹⁾ Source: The District's unaudited records as of August 31, 2025 and the District's Audited Financial Statements.

TABLE 11 - Schedule of General Fund Revenues and Expenditure History ⁽¹⁾
For Fiscal Year ended August 31

	2024	2023	2022	2021	2020
REVENUES:					
Local & Intermediate Sources	\$5,494,882	\$5,547,075	\$4,875,688	\$5,188,129	\$5,195,726
State Program Revenues	4,762,093	3,903,783	3,766,528	3,219,526	2,847,771
Federal Program Revenues	55,886	2,266	27,699	115,207	57,163
Total Revenues	\$10,312,861	\$9,453,124	\$8,669,915	\$8,522,862	\$8,100,660
EXPENDITURES:					
Instruction	\$4,768,866	\$4,263,185	\$3,775,897	\$3,907,431	\$3,754,035
Instructional Resources & Media Services	96,034	88,561	74,877	68,994	67,033
Curriculum & Instructional Staff Development	1,189	9,301	5,644	3,793	7,892
Instructional Leadership	236,206	221,180	217,512	206,739	200,149
School Leadership	427,450	378,791	298,959	298,397	289,390
Guidance, Counseling, & Evaluation Services	169,958	92,440	85,402	84,219	80,321
Social Work Services	-	-	507	538	507
Health Services	84,696	125,877	123,702	120,352	118,887
Student Transportation	474,356	694,503	215,034	204,245	205,089
Food Services	29,107	12,254	12,059	10,862	9,600
Extracurricular Activities	626,245	577,908	515,985	466,245	447,822
General Administration	442,861	422,394	386,602	364,940	402,429
Facilities Maintenance & Operations	1,079,805	989,946	1,003,122	988,428	881,567
Security and Monitoring Services	46,665	14,017	2,270	15,817	13,948
Data Processing Services	287,497	280,890	248,972	209,075	229,256
Debt Service:					
Principal on Long-Term Debt	75,836	70,283	67,807	65,407	120,050
Interest on Long-Term Debt	3,117	5,216	7,691	10,092	13,914
Debt Service Cost and Fees	-	-	-	-	-
Capital Outlay:					
Facilities Acquisition and Construction	2,275,837	258,415	195,157	382,601	1,002,311
Intergovernmental					
Payments to Fiscal Agents/Member Districts of SSA	202,350	193,043	173,864	164,469	150,204
Payments to Juvenile Justice Alternative Ed Programs	19,900	19,300	16,778	16,129	16,084
Other Intergovernmental	106,464	103,795	104,586	109,778	106,259
Total Expenditures	\$11,454,439	\$8,821,299	\$7,532,427	\$7,698,551	\$8,116,747
Excess (Deficiency) of Revenues Over (Under) Expenditures	(\$1,141,578)	\$631,825	\$1,137,488	\$824,311	(\$16,087)
Other Financing Sources and (Uses):					
Sale of Real or Personal Property	-	-	-	-	-
Capital Leases	97,302	-	-	-	-
Non-Current Loans	-	-	-	-	-
Transfers In	-	-	-	-	-
Transfers Out	-	-	-	-	-
Other Resources	-	5,000	80,000	5,000	-
Other Uses	-	(5,000)	(80,000)	(5,000)	75,000
Total Other Financing Sources and (Uses)	\$ 97,302	\$ -	\$ -	\$ -	\$ 75,000
Net Change in Fund Balances	(\$1,044,276)	\$631,825	\$1,137,488	\$824,311	\$58,913
Fund Balances - Beginning	\$8,196,122	\$7,564,297	\$6,426,809	\$5,602,498	\$5,543,585
Fund Balances - Ending	\$7,151,846	\$8,196,122	\$7,564,297	\$6,426,809	\$5,602,498

⁽¹⁾ Source: District's Audited Financial Statements

TABLE 12 - General Operating Fund Comparative Balance Sheet ⁽¹⁾**For Fiscal Year Ended August 31****ASSETS:**

	2024	2023	2022	2021	2020
Cash & Cash Equivalents	\$611,559	\$3,835,238	\$6,216,785	\$5,914,505	\$1,846,043
Investments - Current	6,421,557	3,985,567	1,306,726	786,760	4,492,215
Property Taxes - Delinquent	362,881	463,337	324,985	196,361	225,568
Allowance for uncollectible taxes (credit)	(91,390)	(132,762)	(85,588)	(19,637)	(22,557)
Due from Other Governments	486,606	683,885	343,886	27,846	13,469
Due from Other Funds	22,652	96,411	54,942	85,166	34,428
Other Receivables	-	482	-	22,222	-
Total Assets	\$7,813,865	\$8,932,158	\$8,161,736	\$7,013,223	\$6,589,166

LIABILITIES:

Current Liabilities:

Accounts Payable	\$16,326	\$28,891	\$44,608	\$130,971	\$470,435
Payroll Deductions and Withholdings Payable	-	-	-	-	-
Accrued Wages Payable	366,575	368,936	307,041	273,047	255,273
Due to Other Funds	-	-	-	-	-
Payable to Other Governments	-	-	-	-	7,271
Accrued Expenditures	7,627	7,635	6,393	5,672	50,678
Total Liabilities	\$390,528	\$405,462	\$358,042	\$409,690	\$783,657

DEFERRED INFLOWS OF RESOURCES:

Deferred Inflows-Unavailable Revenues	271,491	330,574	239,397	176,724	203,011
Total Deferred Inflows of Resources	\$271,491	\$330,574	\$239,397	\$176,724	\$203,011

FUND BALANCES:

Nonspendable Fund Balances:

Prepaid Items	-	-	-	-	-
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Restricted Fund Balances

Federal/State Funds Grant Restrictions	-	-	-	-	-
Capital Acquisitions & Contractual Obligation	-	-	-	-	-
Retirement of Long-Term Debt	-	-	-	-	-

Committed Fund Balance:

Construction	3,328,580	3,328,580	3,328,580	2,828,580	2,828,580
Capital Expenditures for Equipment	250,000	313,000	313,000	450,000	450,000
Other Committed Fund Balance	-	-	-	-	-

Unassigned Fund Balance:

	3,573,266	4,554,542	3,922,717	3,148,229	2,323,918
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Total Fund Balances

	\$7,151,846	\$8,196,122	\$7,564,297	\$6,426,809	\$5,602,498
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Total Liabilities, Deferred Inflow of Resources and Fund Balances

	\$7,813,865	\$8,932,158	\$8,161,736	\$7,013,223	\$6,589,166
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⁽¹⁾ Source: District's Audited Financial Statements

APPENDIX B

AUDITED FINANCIAL STATEMENTS

The information contained in this appendix consists of the Flatonia 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.

**FLATONIA
INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2024**

FLATONIA INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2024

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FLATONIA INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2024

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Introductory Section

CERTIFICATE OF BOARD

Flatonia Independent School District
Name of School District

Fayette
County

075-901
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) X approved _____ disapproved for the year ended August 31, 2024, at a meeting of the board of trustees of such school district on the 9th day of December, 2024.


Signature of Board Secretary


Signature of Board President

If the board of trustees disapproved of the auditors' report, the reason(s) for disapproving it is (are):
(attach list as necessary)

Financial Section



Roloff, Hnatek & Co., L.L.P.

Certified Public Accountants
Financial Consultants
Business Advisors
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361-578-2915
Fax 361-578-7058

Independent Auditors' Report

Board of Trustees
Flatonia Independent School District
400 E. 4th Street
Flatonia, Texas 78941

Members of the Board of Trustees:

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 Flatonia 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 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 Flatonia 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 Flatonia Independent School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Flatonia 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 Flatonia Independent School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, on pages 10 through 16, the budgetary comparison information on page 56, the information related to the District's pension plan on pages 57 through 60, and the information related to the District's other post-employment benefits on pages 61 through 64, 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 Flatonia Independent School District's basic financial statements. The accompanying supplementary information on pages 67 through 71 and the schedule of expenditures of federal awards on page 80, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 November 25, 2024, on our consideration of Flatonia 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 Flatonia 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 Flatonia Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,



Roloff, Hnatek & Co., L.L.P.
November 25, 2024

Management's Discussion and Analysis (Unaudited)

FLATONIA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED AUGUST 31, 2024

As management of Flatonia Independent School District (“District”), we offer readers as an introduction to the District’s financial statements, this narrative overview and analysis of the District’s activities and financial performance for the year ended August 31, 2024. This discussion and analysis is designed to assist readers in concentrating on the significant financial issues and activities and to identify any significant changes in financial position. All amounts, unless otherwise indicated, are expressed in whole dollars.

FINANCIAL HIGHLIGHTS

- The net position of the District at August 31, 2024 was \$15,456,152. Of this amount, \$3,831,713 is unrestricted.
- The District’s total net position increased as a result of current year operations by \$732,484, or 5%, from the prior year.
- The general fund had a fund balance of \$7,151,846 at August 31, 2024, a decrease of \$1,044,276, or 13%, from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

The table on the following page summarizes the major features of the District’s financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

FLATONIA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED AUGUST 31, 2024

Major Features of the District's Government-wide and Fund Financial Statements

Features	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District's government (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary	Activities the District operates similar to private businesses	Instances in which the District is the trustee or custodian for someone else's resources
Required financial statements	Statement of net position	Balance sheet	Statement of net position	Statement of fiduciary net position
	Statement of activities	Statement of revenues, expenditures, and changes in fund balances	Statement of revenues, expenses, and changes in fund net position Statement of cash flows	Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term.
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

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

The two government-wide statements report the District's net position and how it has changed. Net position is the difference between the District's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources, and is one way to measure the District's financial health or 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.
- To assess the overall health of the District, one needs to consider additional non-financial factors such as changes in the District's tax base.

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

FLATONIA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED AUGUST 31, 2024

Fund Financial Statements

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

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

The District has the following kinds of funds:

- *Governmental funds* - Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted into cash flow in and out, and (2) the balances left at year end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's operations. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the government funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Proprietary funds* - The District reports the activities for which it charges users in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. The internal service fund reports activities that provide supplies and services for the District's other programs and activities.
- *Fiduciary funds* - The District is the trustee, or fiduciary, for certain funds such as club and class funds and payroll withholding funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

Other Supplementary Information

In addition to the financial statements and accompanying notes, this report also presents certain *other supplementary information* on property taxes, budgetary information and other reports required by Texas Education Agency and/or *Government Auditing Standards*.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

One fundamental question that is most asked of an entity is, as a whole "Are you better off or worse off as a result of the year's activities?" The statement of net position and the statement of activities report information about the District's activities in a way that should help answer this question. These two statements report the net position of the District and changes therein. The District's net position can be thought of as a way to measure the financial health of the District. Over time, increases or decreases in the District's net position are indicators of whether its financial health is improving or deteriorating. However, you will need to consider other information that is non-financial in nature, such as changes in economic conditions, demographic information, mandated state and federal regulations, and new or changed government legislation.

FLATONIA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED AUGUST 31, 2024

Statement of Net Position

The statement of net position serves as a useful indicator over time of the District's financial position. It distinguishes assets plus deferred outflows of resources and liabilities plus deferred inflows of resources as to their expected use for current operations and capital investment. The District's assets plus deferred outflows of resources exceeded its liabilities plus deferred inflows of resources at the close of fiscal year 2024 by \$15,456,152. The following condensed Statement of Net Position provides an overview of the District's net position as of August 31, 2024 and 2023.

	Governmental Activities		\$ Change	% Change
	2024	2023	2024 - 2023	2024 - 2023
Assets:				
Other Assets	\$ 9,103,244	\$ 10,092,115	\$ (988,871)	(10%)
Capital Assets	25,062,930	23,480,738	1,582,192	7%
Total Assets	34,166,174	33,572,853	593,321	2%
Deferred Outflows of Resources	2,808,456	2,036,904	771,552	38%
Liabilities:				
Current Liabilities	434,981	454,839	(19,858)	(4%)
Non-Current Liabilities	18,614,137	17,990,292	623,845	3%
Total Liabilities	19,049,118	18,445,131	603,987	3%
Deferred Inflows of Resources	2,469,360	2,440,958	28,402	1%
Net Position:				
Net Investment in Capital Assets	10,441,468	8,600,143	1,841,325	21%
Restricted	1,182,971	1,068,330	114,641	11%
Unrestricted	3,831,713	5,055,195	(1,223,482)	(24%)
Total Net Position	\$ 15,456,152	\$ 14,723,668	\$ 732,484	5%

A portion of the District's net position (\$10,441,468) reflects its investment in capital assets (e.g., land, buildings, vehicles, furniture and equipment and right-to-use assets) less the remaining balance of the related debt, if any, used to acquire those assets. The District uses these capital assets to provide services to its students and, consequently, these assets are not available for future spending. The restricted portion of the District's net position (\$1,182,971) is used for debt service, food service and to provide services to its students. The remaining balance of unrestricted net position (\$3,831,713) may be used to meet the District's ongoing obligations to employees and vendors.

FLATONIA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED AUGUST 31, 2024

Statement of Activities

The statement of activities serves as a measure to determine how successful the District was during the past year in recovering its costs through property taxes, state and federal grants, charges for services and other revenues. The following condensed statement of activities summarizes the operations of the District for the years ended August 31, 2024 and 2023.

	Governmental Activities		\$ Change	% Change
	2024	2023	2024 - 2023	2024 - 2023
Program Revenues:				
Charges for Services	\$ 302,221	\$ 263,184	\$ 39,037	15%
Operating Grants and Contributions	1,544,968	1,267,113	277,855	22%
General Revenues:				
Property Taxes	5,626,197	6,014,362	(388,165)	(6%)
State Aid-Formula	4,257,389	3,672,407	584,982	16%
Investment Earnings	523,939	381,637	142,302	37%
Miscellaneous Local and Intermediate	158,890	108,422	50,468	47%
Loss on Disposition of Capital Assets	(82,231)	-	(82,231)	N/A
Total Revenues	<u>12,331,373</u>	<u>11,707,125</u>	<u>624,248</u>	5%
Expenses:				
Instruction	5,577,103	5,026,732	550,371	11%
Instructional Resources and Media Services	100,561	87,660	12,901	15%
Curriculum Instructional and Staff Dvlpmnt.	1,189	11,801	(10,612)	(90%)
Instructional Leadership	244,059	215,614	28,445	13%
School Leadership	437,574	363,777	73,797	20%
Guidance, Counseling, and Evaluation Svcs.	171,390	164,893	6,497	4%
Health Services	86,196	146,114	(59,918)	(41%)
Student (Pupil) Transportation	436,544	365,455	71,089	19%
Food Services	513,133	432,660	80,473	19%
Extracurricular Activities	1,170,235	1,097,858	72,377	7%
General Administration	433,606	422,527	11,079	3%
Facilities Maintenance and Operations	1,154,015	1,072,572	81,443	8%
Security and Monitoring Services	70,718	51,058	19,660	39%
Data Processing Services	303,550	285,971	17,579	6%
Debt Svc. - Interest on Long-Term Debt	566,952	560,405	6,547	1%
Debt Svc. - Bond Issuance Costs and Fees	3,350	3,350	-	0%
Payments Related to Shared Services				
Arrangements	202,350	193,043	9,307	5%
Pmts. Related to Juvenile Justice Alt. Ed.	19,900	19,300	600	3%
Other Intergovernmental Charges	106,464	103,795	2,669	3%
Total Expenses	<u>11,598,889</u>	<u>10,624,585</u>	<u>974,304</u>	9%
Increase (Decrease) in Net Position	<u>\$ 732,484</u>	<u>\$ 1,082,540</u>	<u>\$ (350,056)</u>	

The District's total revenues and expenses increased by 5% and 9%, respectively. There were significant increases in revenues from operating grants and contributions, state aid-formula grants and investment earnings, while there were significant decreases in property taxes and loss on disposition of capital assets. There were significant increases in expenses in the functional categories of instruction, food services and facilities maintenance and operations, while there were no significant decreases. The fiscal year operations resulted in an increase in net position of \$732,484.

FLATONIA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED AUGUST 31, 2024

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$12,710,037, an increase of approximately 9% from the preceding year. Local revenues increased by approximately 1% while the state and federal revenues increased in total by approximately 20%. Expenditures from governmental fund types totaled \$13,714,176, an increase of approximately 25% from the preceding year. There was a significant increase in state program revenues, while there was a significant decrease in federal program revenues. There were significant increases in expenses in the functional categories of instruction, facilities maintenance and operations and facilities acquisition and construction, while there was a significant decrease in student (pupil) transportation.

General Fund Budgetary Highlights

Over the course of the year, the District revised its general fund budget several times. The following budgeted revenues and expenditures were significantly changed by budget amendments to accommodate unanticipated increases and decreases in revenues and expenditures subsequent to the adoption of the original budget.

- Local and Intermediate Revenues
- State Program Revenues
- Function 11 (Instruction)
- Function 34 (Student (Pupil) Transportation)
- Function 81 (Facilities Acquisition and Construction)

Total actual revenues were \$357,861 more than the final budgeted amount due primarily to revenues from state program revenues being more than anticipated. Total actual expenditures were \$580,533 below final budget amounts due the significant favorable variance in the functional category of 81 (Facilities Acquisition and Construction) combined with other less significant favorable variances.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets as of August 31, 2024 was \$25,062,930 (net of accumulated depreciation and amortization). This investment in capital assets includes land, buildings and improvements, vehicles, furniture, equipment, and right-to-use assets. This amount represents a net increase (including additions, deletions, and depreciation expense) of \$1,582,192 from fiscal year 2023. Additional information regarding the District's capital assets can be found in Note C to the financial statements. The following table summarizes the District's capital assets (net of accumulated depreciation and amortization) as of August 31, 2024 and 2023.

	Governmental Activities		\$ Change	% Change
	2024	2023	2024 - 2023	2024 - 2023
Land	\$ 292,642	\$ 292,642	\$ -	0%
Construction-in-Progress	-	19,800	(19,800)	(100%)
Buildings and Improvements	31,428,703	29,192,026	2,236,677	8%
Vehicles, Furniture and Equipment	3,066,197	2,847,605	218,592	8%
Right-to-Use Leased Assets	97,302	-	97,302	N/A
Totals at Historical Cost	34,884,844	32,352,073	2,532,771	8%
Total Accumulated Depr. & Amort.	(9,821,914)	(8,871,335)	(950,579)	11%
Net Capital Assets	<u>\$ 25,062,930</u>	<u>\$ 23,480,738</u>	<u>\$ 1,582,192</u>	7%

FLATONIA INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED AUGUST 31, 2024

Long-term Obligations

As of August 31, 2024, the District had long-term obligations outstanding of \$14,621,462. This amount is comprised of general obligation bonds and a lease liability. Additional information regarding the District's long-term debt can be found in Note E to the financial statements. The following table summarizes the District's long-term debt outstanding at August 31, 2024 and 2023.

	Governmental Activities		\$ Change	% Change
	2024	2023	2024 - 2023	2024 - 2023
General Obligation Bonds	\$ 14,527,175	\$ 14,807,774	\$ (280,599)	(2%)
Note Payable	-	72,821	(72,821)	(100%)
Lease Liability	94,287	-	94,287	N/A
Total Governmental Activities	<u>\$ 14,621,462</u>	<u>\$ 14,880,595</u>	<u>\$ (259,133)</u>	(2%)

ECONOMIC OUTLOOK

The District has adopted a property tax rate of \$0.8392 for fiscal year ending 2025 based on its approved budget and total assessed taxable property values. Of the total tax rate, \$0.7552 per \$100 valuation is for the purpose of maintenance and operations and \$0.084 per \$100 valuation is for the payment of principal and interest on debt. The total taxable property value used for the fiscal year ending 2025 budget increased by 3% from that of fiscal year ended 2024. The District's average daily attendance is expected to be approximately 570 for fiscal year ending 2025. These factors were taken into consideration when adopting the general fund budget for fiscal year ending 2025.

REQUESTS FOR INFORMATION

This financial report is designed to provide citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Administrative Office.

Basic Financial Statements

FLATONIA 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	\$ 1,215,182
1120 Current Investments	6,969,846
1220 Property Taxes - Delinquent	418,126
1230 Allowance for Uncollectible Taxes	(104,817)
1240 Due from Other Governments	604,907
Capital Assets:	
1510 Land	292,642
1520 Buildings, Net	23,601,789
1530 Furniture and Equipment, Net	1,074,440
1550 Right-to-Use Leased Assets, Net	94,059
1000 Total Assets	<u>34,166,174</u>
DEFERRED OUTFLOWS OF RESOURCES	
1702 Deferred Outflow - State Foundation Program	365,133
1705 Deferred Outflow Related to TRS Pension	1,143,627
1706 Deferred Outflow Related to TRS OPEB	1,299,696
1700 Total Deferred Outflows of Resources	<u>2,808,456</u>
LIABILITIES	
2110 Accounts Payable	16,326
2140 Interest Payable	16,321
2160 Accrued Wages Payable	379,217
2200 Accrued Expenses	21,952
2300 Unearned Revenue	1,165
Noncurrent Liabilities:	
2501 Due Within One Year: Loans, Note, Leases, etc.	299,006
Due in More than One Year:	
2502 Bonds, Notes, Loans, Leases, etc.	14,322,456
2540 Net Pension Liability (District's Share)	2,504,784
2545 Net OPEB Liability (District's Share)	1,487,891
2000 Total Liabilities	<u>19,049,118</u>
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS Pension	145,271
2606 Deferred Inflow Related to TRS OPEB	2,324,089
2600 Total Deferred Inflows of Resources	<u>2,469,360</u>
NET POSITION	
3200 Net Investment in Capital Assets and Right-to-Use Lease Assets	10,441,468
Restricted:	
3820 Restricted for Federal and State Programs	89,928
3850 Restricted for Debt Service	990,415
3870 Restricted for Campus Activities	73,834
3890 Restricted for Other Purposes	28,794
3900 Unrestricted	3,831,713
3000 Total Net Position	<u><u>\$ 15,456,152</u></u>

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

FLATONIA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2024

FOR THE YEAR ENDED AUGUST 31, 2024

					Net (Expense) Revenue and Changes in Net Position
Data		Program Revenues			
Control	1	3	4		6
Codes			Operating		Primary Gov.
	Expenses	Charges for	Grants and		Governmental
		Services	Contributions		Activities
Primary Government:					
GOVERNMENTAL ACTIVITIES:					
11	Instruction	\$ 5,577,103	\$ -	\$ 764,427	\$ (4,812,676)
12	Instructional Resources and Media Services	100,561	-	9,765	(90,796)
13	Curriculum and Instructional Staff Development	1,189	-	-	(1,189)
21	Instructional Leadership	244,059	-	22,231	(221,828)
23	School Leadership	437,574	-	25,375	(412,199)
31	Guidance, Counseling, and Evaluation Services	171,390	-	12,685	(158,705)
33	Health Services	86,196	-	6,944	(79,252)
34	Student (Pupil) Transportation	436,544	-	8,548	(427,996)
35	Food Services	513,133	108,938	284,392	(119,803)
36	Extracurricular Activities	1,170,235	44,622	14,118	(1,111,495)
41	General Administration	433,606	148,661	20,726	(264,219)
51	Facilities Maintenance and Operations	1,154,015	-	250,990	(903,025)
52	Security and Monitoring Services	70,718	-	19,800	(50,918)
53	Data Processing Services	303,550	-	19,828	(283,722)
72	Debt Service - Interest on Long-Term Debt	566,952	-	85,139	(481,813)
73	Debt Service - Bond Issuance Cost and Fees	3,350	-	-	(3,350)
93	Payments Related to Shared Services Arrangements	202,350	-	-	(202,350)
95	Payments to Juvenile Justice Alternative Ed. Prg.	19,900	-	-	(19,900)
99	Other Intergovernmental Charges	106,464	-	-	(106,464)
[TP] TOTAL PRIMARY GOVERNMENT:		\$ 11,598,889	\$ 302,221	\$ 1,544,968	(9,751,700)
Data					
Control					
Codes					
	General Revenues:				
	Taxes:				
MT	Property Taxes, Levied for General Purposes				4,759,098
DT	Property Taxes, Levied for Debt Service				867,099
SF	State Aid - Formula Grants				4,257,389
IE	Investment Earnings				523,939
MI	Miscellaneous Local and Intermediate Revenue				158,890
S2	Loss on Disposition of Capital Assets				(82,231)
TR	Total General Revenues & Special Items				10,484,184
CN	Change in Net Position				732,484
NB	Net Position - Beginning				14,723,668
NE	Net Position - Ending				\$ 15,456,152

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

FLATONIA INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2024

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 611,559	\$ 372,311	\$ 190,493	\$ 1,174,363
1120 Investments - Current	6,421,557	548,289	-	6,969,846
1220 Property Taxes - Delinquent	362,881	55,245	-	418,126
1230 Allowance for Uncollectible Taxes	(91,390)	(13,427)	-	(104,817)
1240 Due from Other Governments	486,606	79,507	38,794	604,907
1260 Due from Other Funds	22,652	-	-	22,652
1000 Total Assets	<u>\$ 7,813,865</u>	<u>\$ 1,041,925</u>	<u>\$ 229,287</u>	<u>\$ 9,085,077</u>
LIABILITIES				
2110 Accounts Payable	\$ 16,326	\$ -	\$ -	\$ 16,326
2160 Accrued Wages Payable	366,575	-	12,642	379,217
2170 Due to Other Funds	-	-	22,652	22,652
2200 Accrued Expenditures	7,627	-	272	7,899
2300 Unearned Revenue	-	-	1,165	1,165
2000 Total Liabilities	<u>390,528</u>	<u>-</u>	<u>36,731</u>	<u>427,259</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	271,491	41,818	-	313,309
2600 Total Deferred Inflows of Resources	<u>271,491</u>	<u>41,818</u>	<u>-</u>	<u>313,309</u>
FUND BALANCES				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	89,928	89,928
3470 Capital Acquisition and Contractual Obligation	-	-	28,794	28,794
3480 Retirement of Long-Term Debt	-	1,000,107	-	1,000,107
3490 Other Restricted Fund Balance	-	-	73,834	73,834
Committed Fund Balance:				
3510 Construction	3,328,580	-	-	3,328,580
3530 Capital Expenditures for Equipment	250,000	-	-	250,000
3600 Unassigned Fund Balance	3,573,266	-	-	3,573,266
3000 Total Fund Balances	<u>7,151,846</u>	<u>1,000,107</u>	<u>192,556</u>	<u>8,344,509</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 7,813,865</u>	<u>\$ 1,041,925</u>	<u>\$ 229,287</u>	<u>\$ 9,085,077</u>

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

FLATONIA 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	\$ 8,344,509
1 The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position.	26,766
2 Capital assets, net of accumulated depreciation and amortization, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	25,062,930
3 Long-term debt obligations are not due and payable in the current period, therefore, are not reported as liabilities in the governmental funds. Long-term obligations at year-end consist of: bonds payable, the related unamortized premium, and a note payable.	(14,621,462)
4 Accrued interest is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(16,321)
5 Property taxes are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the governmental funds.	313,309
6 State Foundation Program revenues receivable, but not yet available, are not financial resources and, therefore, are not reported in the governmental funds.	365,133
7 The District's proportionate share of the net pension liability of \$2,504,784, deferred inflows of resources of \$145,271, and deferred outflows of resources of \$1,143,627 related to the net pension liability do not require the use of current financial resources; therefore, they are not reported as expenditures in the governmental funds.	(1,506,428)
8 The District's proportionate share of the net OPEB liability of \$1,487,891, deferred inflows of resources of \$2,324,089, and deferred outflows of resources of \$1,299,696 related to the net OPEB liability do not require the use of current financial resources; therefore, are not reported as expenditures in the governmental funds.	(2,512,284)
29 Net Position of Governmental Activities	\$ 15,456,152

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

FLATONIA 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	50 Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 5,494,882	\$ 926,600	\$ 259,607	\$ 6,681,089
5800 State Program Revenues	4,762,093	85,139	336,676	5,183,908
5900 Federal Program Revenues	55,886	-	789,154	845,040
5020 Total Revenues	10,312,861	1,011,739	1,385,437	12,710,037
EXPENDITURES:				
Current:				
0011 Instruction	4,768,866	-	535,934	5,304,800
0012 Instructional Resources and Media Services	96,034	-	6,100	102,134
0013 Curriculum and Instructional Staff Development	1,189	-	-	1,189
0021 Instructional Leadership	236,206	-	11,721	247,927
0023 School Leadership	427,450	-	12,218	439,668
0031 Guidance, Counseling, and Evaluation Services	169,958	-	4,582	174,540
0033 Health Services	84,696	-	3,054	87,750
0034 Student (Pupil) Transportation	474,356	-	304	474,660
0035 Food Services	29,107	-	427,702	456,809
0036 Extracurricular Activities	626,245	-	142,994	769,239
0041 General Administration	442,861	-	7,639	450,500
0051 Facilities Maintenance and Operations	1,079,805	-	230,530	1,310,335
0052 Security and Monitoring Services	46,665	-	19,800	66,465
0053 Data Processing Services	287,497	-	9,153	296,650
Debt Service:				
0071 Principal on Long-Term Liabilities	75,836	235,000	-	310,836
0072 Interest on Long-Term Liabilities	3,117	609,656	-	612,773
0073 Bond Issuance Cost and Fees	-	3,350	-	3,350
Capital Outlay:				
0081 Facilities Acquisition and Construction	2,275,837	-	-	2,275,837
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	202,350	-	-	202,350
0095 Payments to Juvenile Justice Alternative Ed. Prg.	19,900	-	-	19,900
0099 Other Intergovernmental Charges	106,464	-	-	106,464
6030 Total Expenditures	11,454,439	848,006	1,411,731	13,714,176
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,141,578)	163,733	(26,294)	(1,004,139)
OTHER FINANCING SOURCES (USES):				
7913 Right-to-Use Lease and SBITA Proceeds	97,302	-	-	97,302
1200 Net Change in Fund Balances	(1,044,276)	163,733	(26,294)	(906,837)
0100 Fund Balance - September 1 (Beginning)	8,196,122	-	1,055,224	9,251,346
1300 Change from Nonmajor to Major	-	836,374	(836,374)	-
3000 Fund Balance - August 31 (Ending)	\$ 7,151,846	\$ 1,000,107	\$ 192,556	\$ 8,344,509

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

FLATONIA 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	\$ (906,837)
The revenue and expenses related to the internal service funds are reported in the governmental activities on the Statement of Activities.	6,599
Governmental funds report capital outlay as expenditures; however, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. Current year capital outlay, depreciation expense, amortization expense, and loss on disposition of capital assets totaled \$2,847,409, \$1,179,743, \$3,243, and \$82,231, respectively, for a net effect of \$1,582,192.	1,582,192
Repayment of principal for long-term obligations is an expenditure in the governmental funds, but is reported as a reduction to the long-term liabilities in the Statement of Net Position.	310,836
The change in accrued interest payable is reported in the Statement of Activities, but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds.	222
The amortization of bond premiums and the accretion of deferred charges on refunding are reported in the Statement of Activities, but does not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	45,599
The change in deferred tax revenue is reported in the Statement of Activities, but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds.	(68,997)
The change in State Foundation Program revenues receivable, but not yet available, is reported in the Statement of Activities, but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds.	(84,065)
The activity related to the issuance of right-to-use leased assets are reported as other financing sources in the governmental funds, but are reported as an increase in the long-term liabilities in the Statement of Net Position.	(97,302)
The net change in the net pension liability, deferred inflow of resources and deferred outflow of resources related to the net pension liability are reported in the Statement of Activities, but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following: net pension liability increased by \$738,485, deferred inflows of resources decreased by \$57,788, and deferred outflows of resources increased by \$413,401, for a net effect of \$267,296.	(267,296)

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

FLATONIA 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

The net change in the net OPEB liability, deferred inflow of resources and deferred outflow of resources related to the net OPEB liability are reported in the Statement of Activities, but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following: net OPEB liability increased by \$144,493, deferred inflows of resources increased by \$86,190, and deferred outflows of resources increased by \$442,216, for a net effect of \$211,533.	211,533
Change in Net Position of Governmental Activities	<u><u>\$ 732,484</u></u>

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

FLATONIA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2024

	Governmental Activities -
	Internal Service Fund
<hr/>	
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 40,819
Total Assets	40,819
LIABILITIES	
Current Liabilities:	
Accrued Expenses	14,053
Total Liabilities	14,053
NET POSITION	
Unrestricted Net Position	26,766
Total Net Position	\$ 26,766

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

FLATONIA 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
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 24,663
Total Operating Revenues	24,663
OPERATING EXPENSES:	
Professional and Contracted Services	16,777
Other Operating Costs	1,287
Total Operating Expenses	18,064
Operating Income	6,599
Total Net Position - September 1 (Beginning)	20,167
Total Net Position - August 31 (Ending)	\$ 26,766

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

FLATONIA 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 Operating Activities:</u>	
Cash Received from User Charges	\$ 24,455
Cash Received from Investment Earnings	208
Cash Payments for Suppliers	(18,064)
Net Cash Provided by Operating Activities	6,599
Net Increase in Cash and Cash Equivalents	6,599
Cash and Cash Equivalents at Beginning of Year	34,220
Cash and Cash Equivalents at End of Year	\$ 40,819
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Provided By (Used For) Operating Activities:</u>	
Operating Income (Loss)	\$ 6,599

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

FLATONIA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2024

	Private Purpose Trust Fund	Custodial Fund
ASSETS		
Cash and Cash Equivalents	\$ 16,953	\$ 140,661
Investments - Current	<u>1,598,843</u>	<u>-</u>
Total Assets	<u>1,615,796</u>	<u>\$ 140,661</u>
NET POSITION		
Restricted for Scholarships	1,615,796	-
Restricted for Other Purposes	<u>-</u>	<u>140,661</u>
Total Net Position	<u><u>\$ 1,615,796</u></u>	<u><u>\$ 140,661</u></u>

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

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

	Private Purpose Trust Fund	Custodial Fund
ADDITIONS:		
Enterprising Services Revenue	\$ -	\$ 311,130
Earnings from Temporary Deposits	57,466	-
Contributions, Gifts and Donations	30,500	-
Total Additions	<u>87,966</u>	<u>311,130</u>
DEDUCTIONS:		
Supplies and Materials	-	304,573
Scholarships Awarded	60,470	-
Total Deductions	<u>60,470</u>	<u>304,573</u>
Change in Fiduciary Net Position	27,496	6,557
Total Net Position - September 1 (Beginning)	<u>1,588,300</u>	<u>134,104</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 1,615,796</u></u>	<u><u>\$ 140,661</u></u>

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

FLATONIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

A. Summary of Significant Accounting Policies

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

Reporting Entity

The Board of School Trustees (“Board”), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (“TEA”) or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental “reporting entity” as defined by the GASB in its Statement No. 14, “The Financial Reporting Entity,” as revised by GASB Statement No. 39, and there are no component units included within the reporting entity.

Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

FLATONIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

A. Summary of Significant Accounting Policies (Continued)

The District reports the following major governmental funds:

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

Debt Service Fund: This fund is used to account for the receipt of property tax revenues and related penalties and interest and the payment of long-term debt financed by such revenues.

In addition, the District reports the following fund types:

Capital Projects Fund: This fund is used to account for the expenditure of debt proceeds for construction and renovation projects on the District facilities.

Special Revenue Funds: These funds are used to account for resources restricted, committed, or assigned for specific purposes by a grantor or Board. Federal and state financial assistance generally is accounted for in a special revenue fund. Generally, unused balances are returned to the grantor at the close of specified project periods. With respect to the food service and campus activity funds, funds are rolled over from year to year for use in the programs.

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

Fiduciary Funds: These funds are used to account for assets held by the District in a trustee capacity or as a custodian for individuals, private organizations and/or other funds.

- **Private-Purpose Trust Funds** – Private-purpose trust funds are used to account for resources legally held in trust under which the principal and income benefits individuals, private organizations or other governments. The District's private-purpose trust funds represent scholarship funds held in a trust for students.
- **Custodial Funds** - The District accounts for resources held for students and other organizations in a custodial capacity in the custodial funds.

b. Measurement Focus, Basis of Accounting

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

FLATONIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

A. Summary of Significant Accounting Policies (Continued)

Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

Other Post-Employment Benefits: The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net other post-employment benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to the OPEB, 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 a pay-as-you-go plan and all cash is held in a cash account.

Financial Statement Amounts

a. Property Taxes

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

Allowances for uncollectible tax receivables within the General Fund are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. Property taxes receivable are presented in the accompanying statement of net position and balance sheet as of August 31, 2024.

FLATONIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

A. Summary of Significant Accounting Policies (Continued)

b. Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

c. Capital Assets

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	40
Building Improvements	20
Vehicles, Furniture and Equipment	5-18

d. Right-to-Use Assets and Lease Liabilities

Right-to-use assets, reported with capital assets, are recognized at the lease commencement date and represent the District's right to use an underlying asset for the term of the lease. Right-to-use assets are measured at the initial value of the lease liability plus any payments made to the lessor prior to the commencement of the lease term, less any incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the leased asset into service. Right-to-use assets are amortized over the shorter of the lease term or the useful life of the underlying asset using the straight-line method.

Lease liabilities, reported with long-term obligations, represent the District's obligation to make lease payments arising from lease agreements. Lease liabilities are recognized at the related lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present value of lease payments are discounted based on the District's estimated incremental borrowing rate.

The District monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

FLATONIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

A. Summary of Significant Accounting Policies (Continued)

e. Receivable and Payable Balances

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 of year end.

f. Interfund Activity

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

g. Restricted Assets

Certain proceeds of bonds, as well as other resources set aside for specific purposes, are classified as restricted assets because their use is limited by applicable bond covenants or contractual agreements.

h. Use of Estimates

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

i. Data Control codes

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

Fund Balance Policy

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54), the District reports fund balances for governmental funds in classifications based primarily on the extent to which the district is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The *nonspendable* classification represents assets that will be consumed or "must be maintained in tact" and therefore will never convert to cash, such as inventories of supplies and endowments. Provisions of laws, contracts, and grants specify how fund resources can be used in the *restricted* classification. The nature of these two classifications precludes a need for a policy from the Board of Trustees. However, the Board has adopted fund balance policies for the three unrestricted classifications – committed, assigned, and unassigned.

FLATONIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

A. Summary of Significant Accounting Policies (Continued)

Committed fund balance includes amounts that can only be used for specific purposes, and is reported pursuant to resolutions passed by the Board of Trustees, the District's highest level of decision-making authority. Commitments may be modified or rescinded only through resolutions approved by Board of Trustees.

Assigned fund balance includes amounts that the District intends to use for specific purposes, but that do not meet the definition of restricted or committed fund balance. Under the District's adopted policy, amounts may be assigned by the Superintendent.

Unassigned fund balance includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

From time to time, the Board of Trustees may commit fund balances by a majority vote in a scheduled meeting. The Board's commitment may be modified or rescinded by a majority vote in a scheduled meeting. Board commitments cannot exceed the amount of fund balance that is greater than the sum of nonspendable and restricted fund balances since that practice would commit funds that the district does not have. Commitments may be for facility expansion or renovation, program modifications, wage and salary adjustments, financial cushions (rainy day funds), and other purposes determined by the Board.

The Board of Trustees may delegate authority to specified persons or groups to make assignments of certain fund balances by a majority vote in a scheduled meeting. The Board may modify or rescind its delegation of authority by the same action.

B. Deposits and Investments

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

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

Cash Deposits

At August 31, 2024, the carrying amount of the District's deposits was \$4,152,528 (of which \$2,779,732 was invested in certificates of deposits and included in current investments) and the bank balance was \$4,861,876. The District's cash deposits at August 31, 2024 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

FLATONIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

B. Deposits and Investments (Continued)

Investments

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

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

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

Fair Value Measurements

The District categorizes the fair value measurements of its investments within the fair value hierarchy established by generally accepted accounting principles. Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application* provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities as follows:

- Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority,
- Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and
- Level 3 inputs which consist of other unobservable inputs and have the lowest priority.

The District uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the District measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are used only when Level 1 and Level 2 inputs are not available.

The District’s investments as of August 31, 2024 consist entirely of certificates of deposit and investment pools that are not subject to fair value measurements as follows:

<u>Investment or Investment Type</u>	<u>Reported Amount</u>
Certificates of Deposit	\$ 2,779,732
Texas RANGE	5,788,957
Total Investments	<u>\$ 8,568,689</u>

FLATONIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

B. Deposits and Investments (Continued)

Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and, if so, the reporting of certain related disclosures:

a. 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 rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

At August 31, 2024, the District's investments, other than those which are obligations or guaranteed by the U.S. Government, are rated as to credit quality as follows:

Description	Rating	Organization
Texas RANGE	AAAm	Standard & Poor's

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the district was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

FLATONIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

B. Deposits and Investments (Concluded)

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at the time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

C. Capital Assets

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

<u>Governmental Activities</u>	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Capital Assets Not Being Depreciated				
Land	\$ 292,642	\$ -	\$ -	\$ 292,642
Construction in Progress	19,800	-	19,800	-
Capital Assets Being Depr. & Amort.				
Building and Improvements	29,192,026	2,476,677	240,000	31,428,703
Vehicles, Furniture and Equipment	2,847,605	293,230	74,638	3,066,197
Right-to-Use Leased Assets	-	97,302	-	97,302
Total Capital Assets at Historical Cost	<u>32,352,073</u>	<u>2,867,209</u>	<u>334,438</u>	<u>34,884,844</u>
Less Accumulated Depr. & Amort. for:				
Buildings and Improvements	7,094,554	891,360	159,000	7,826,914
Vehicles, Furniture and Equipment	1,776,781	288,383	73,407	1,991,757
Right-to-Use Leased Assets	-	3,243	-	3,243
Total Accumulated Depr. & Amort.	<u>8,871,335</u>	<u>1,182,986</u>	<u>232,407</u>	<u>9,821,914</u>
Governmental Activities Capital Assets, Net	<u>\$ 23,480,738</u>	<u>\$ 1,684,223</u>	<u>\$ 102,031</u>	<u>\$ 25,062,930</u>

Depreciation and amortization expense was charged to governmental functions as follows:

Instruction	\$ 408,675
Student (Pupil) Transportation	132,606
Food Services	56,701
Extracurricular Activities	443,138
General Administration	3,872
Facilities Maintenance and Operations	122,267
Security and Monitoring Services	4,253
Data Processing Services	11,474
Total	<u>\$ 1,182,986</u>

FLATONIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

D. Interfund Balances and Activities

Due To and From Other Funds

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

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Other Funds	<u>\$ 22,652</u>	Short-Term Loans

All amounts are scheduled to be repaid within one year.

Transfers To and From Other Funds

There were no transfers to and from other funds during the year ended August 31, 2024.

E. Long-Term Obligations

General obligation bonds at August 31, 2024 consisted of the following:

<u>General Long-Term Obligations Description</u>	<u>Outstanding at August 31, 2024</u>
\$3,000,000 Series 2011 Unlimited Tax Qualified School Construction Bonds due in annual installments of \$185,000 to \$190,000 through August 15, 2007; interest at 4.0%, due semi-annually.	\$ 570,000
\$13,050,000 Series 2019 Unlimited Tax School Building Bonds due in annual installments of \$40,000 through \$1,020,000 through February 15, 2049; interest at 3.0% to 5.0%, due semi-annually.	<u>13,957,175</u>
Total General Obligation Bonds	<u>\$ 14,527,175</u>

Leases

During the year ended August 31, 2024, the District entered into a sixty-month lease as a lessee for the use of a phone system. An initial lease liability was recorded in the amount of \$97,302. As of August 31, 2024, the value of the lease liability is \$94,287. In accordance with the lease agreement, the District is required to make monthly fixed payments of \$1,748. The District used a 3% discount rate for this arrangement based on the estimated incremental borrowing rate. The value of the right-to-use leased assets as of August 31, 2024 was \$97,302 with accumulated amortization of \$3,243.

FLATONIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

E. Long-Term Obligations (Continued)

Changes in long-term obligations for the year ended August 31, 2024, are as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
<u>Governmental Activities:</u>					
Unlimited Tax Qualified School Construction Bonds, Series 2011	\$ 760,000	\$ -	\$ 190,000	\$ 570,000	\$ 190,000
Unlimited Tax School Building Bonds, Series 2019	12,885,000		45,000	12,840,000	45,000
Unamortized Premium	1,162,774	-	45,599	1,117,175	45,599
Total Bonds	14,807,774	-	280,599	14,527,175	280,599
Note Payable	72,821	-	72,821	-	-
Lease Payable	-	97,302	3,015	94,287	18,407
Total	<u>\$14,880,595</u>	<u>\$ 97,302</u>	<u>\$ 356,435</u>	<u>\$ 14,621,462</u>	<u>\$ 299,006</u>

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

Year Ending August 31,	Lease		
	Principal	Interest	Total
2025	\$ 18,407	\$ 2,568	\$ 20,975
2026	18,965	2,010	20,975
2027	19,540	1,435	20,975
2028	20,132	843	20,975
2029	17,243	237	17,480
Total	<u>\$ 94,287</u>	<u>\$ 7,093</u>	<u>\$ 101,380</u>

Year Ending August 31,	General Obligation Bonds		
	Principal	Interest	Total
2025	\$ 280,599	\$ 561,941	\$ 842,540
2026	300,599	559,416	860,015
2027	335,599	555,291	890,890
2028	145,599	543,451	689,050
2029	345,599	533,451	879,050
2030 - 2034	2,067,995	2,439,730	4,507,725
2035 - 2039	2,707,995	2,009,305	4,717,300
2040 - 2044	3,582,995	1,350,630	4,933,625
2045 - 2049	4,760,195	391,180	5,151,375
Total	<u>\$ 14,527,175</u>	<u>\$ 8,944,395</u>	<u>\$ 23,471,570</u>

FLATONIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

E. Long-Term Obligations (Continued)

Year Ending August 31,	Total Long-Term Obligations		
	Principal	Interest	Total
2025	\$ 299,006	\$ 564,509	\$ 863,515
2026	319,564	561,426	880,990
2027	355,139	556,726	911,865
2028	165,731	544,294	710,025
2029	362,842	533,688	896,530
2030 - 2034	2,067,995	2,439,730	4,507,725
2035 - 2039	2,707,995	2,009,305	4,717,300
2040 - 2044	3,582,995	1,350,630	4,933,625
2045 - 2049	4,760,195	391,180	5,151,375
Total	<u>\$ 14,621,462</u>	<u>\$ 8,951,488</u>	<u>\$ 23,572,950</u>

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. The interest rate on the general obligation bonds range from 1.9% to 5.0%. Total interest expense for the year ended August 31, 2024 for governmental activities was \$566,952.

F. Risk Management

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

G. Pension Plan

Plan Description

The 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). TRS's defined benefit pension plan is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

FLATONIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

G. Pension Plan (Continued)

Pension Plan Fiduciary Net Position

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

Benefits Provided

TRS 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 in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs, can be granted by the Texas Legislature as noted in the Plan description 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 this manner are determined by the System's actuary.

Contributions

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

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

FLATONIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

G. Pension Plan (Continued)

	Contribution Rates	
	2023	2024
Member	8.00%	8.25%
Non-Employer Contributing Entity (State)	8.00%	8.25%
Employers	8.00%	8.25%
Current Fiscal Year Employer Contributions		\$ 186,227
Current Fiscal Year Member Contributions		\$ 409,671
Measurement Year NECE On-Behalf Contributions		\$ 316,084

Contributors to the Plan include members, employers, and the State of Texas as the only non-employer contributing entity. 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 are required to pay the employer contribution rate in the following instances:

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

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

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

Actuarial Assumptions

The total pension liability in the August 31, 2022 actuarial valuation was 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 Investment Rate of Return	7.00%

FLATONIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

G. Pension Plan (Continued)

Municipal Bond Rate as of August 2023	4.13%. The source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index"
Last Year Ending August 31 in Projection Period (100 Years)	2122
Inflation	2.30%
Salary Increases	2.95% to 8.95% including inflation
Ad Hoc Post-Employment Benefit Changes	None

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

Discount Rate

A single discount rate of 7.00% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.00%. 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.

The long-term rate of return on pension plan investments is 7.00%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2023 are summarized below:

FLATONIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

G. Pension Plan (Continued)

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

* Absolute Return includes Credit Sensitive Investments.

** Target allocations are based on the FY2023 policy model.

*** Capital Market Assumptions come from Aon Hewitt (as of 06/30/2023).

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

Discount Rate Sensitivity Analysis

The following table presents the net pension liability of the plan using the discount rate of 7.00% and what the net pension liability would be if it were calculated using a discount rate that was 1% less (6.00%) or 1% greater (8.00%) than the current rate.

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
Proportionate Share of the Net Pension Liability	<u>\$ 3,744,790</u>	<u>\$ 2,504,784</u>	<u>\$ 1,473,717</u>

FLATONIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

G. Pension Plan (Continued)

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

At August 31, 2024, the District reported a liability of \$2,504,784 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's Proportionate Share of the Collective Net Pension Liability	\$ 2,504,784
State's Proportionate Share that is Associated with the District	<u>4,223,917</u>
Total	<u>\$ 6,728,701</u>

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

At August 31, 2023, the employer's proportionate share of the collective net pension liability was 0.0036464854%, which was an increase of 0.0006712873% from its proportionate share measured as of August 31, 2022.

Changes Since the Prior Actuarial Valuation

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

The Texas 2023 Legislature passed legislation that provides a one-time stipend to certain retired teachers. The stipend was paid to retirees beginning in September of 2023. The legislature 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 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 District recognized pension expense of \$1,091,298 and revenue of \$637,775 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experiences	\$ 89,246	\$ 30,330
Changes in Actuarial Assumptions	236,903	57,976
Difference Between Projected and Actual Investment Earnings	364,507	-
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	266,744	56,965
Contributions Paid to TRS Subsequent to the Measurement Date	<u>186,227</u>	<u>-</u>
Total	<u>\$ 1,143,627</u>	<u>\$ 145,271</u>

FLATONIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

G. Pension Plan (Concluded)

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

<u>Year ended August 31:</u>	<u>Pension Expense Amount</u>
2025	\$ 167,447
2026	\$ 115,401
2027	\$ 343,798
2028	\$ 139,998
2029	\$ 45,485
Thereafter	-

For the year ended August 31, 2024, the changes to the TRS net pension liability were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Net Pension Liability	<u>\$ 1,766,299</u>	<u>\$ 738,485</u>	<u>\$ -</u>	<u>\$ 2,504,784</u>

H. Defined Other Post-Employment Benefit Plan

Plan Description

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

The Teacher Retirement System of Texas (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_publications.aspx, by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698, or by calling (512) 542-6592.

Benefits Provided

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

FLATONIA INDEPENDENT SCHOOL DISTRICT
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H. Defined Other Post-Employment Benefit Plan (Continued)

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

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

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

Contributions

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

Texas Insurance Code, section 1575.202 establishes the State's contribution rate, which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% and 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	
	2023	2024
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding Remitted by Employers	1.25%	1.25%
Current Fiscal Year Employer Contributions		\$ 50,646
Current Fiscal Year Member Contributions		\$ 32,277
Measurement Year NECE On-Behalf Contributions		\$ 70,350

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 TRS Care a monthly surcharge of \$535 per retiree.

FLATONIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

H. Defined Other Post-Employment Benefit Plan (Continued)

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 roll forward the total OPEB liability to August 31, 2023.

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2021. The 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 retirement, rates of termination, rates of disability, general inflation, and wage inflation.

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

Additional Actuarial Methods and Assumptions:

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 claim costs.
Salary Increases	2.95% to 8.95%, including inflation
Ad Hoc Post-Employment Benefit Changes	None

Discount Rate

A single discount rate of 4.13% was used to measure the total OPEB liability. There was an increase of 0.22% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, 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.

FLATONIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

H. Defined Other Post-Employment Benefit Plan (Continued)

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 in measuring the net OPEB liability.

	1% Decrease in Discount Rate (3.13%)	Discount Rate (4.13%)	1% Increase in Discount Rate (5.13%)
District's Proportionate Share of the Net OPEB Liability	\$ 1,752,425	\$ 1,487,891	\$ 1,272,024

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

At August 31, 2024, the District reported a liability of \$1,487,891 for its proportionate share of the TRS's Net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's Proportionate Share of the Collective Net OPEB Liability	\$ 1,487,891
State's Proportionate Share that is Associated with the District	<u>1,795,369</u>
Total	<u>\$ 3,283,260</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 proportionate share of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2022 through August 31, 2023.

At August 31, 2023, the employer's proportion of the net OPEB liability was 0.0067208873%, which was an increase of 0.0011103054% from its proportion measured as of August 31, 2022.

Healthcare Cost Trend Rates Sensitivity Analysis

The following schedule shows the impact of the net OPEB liability if a healthcare trend rate is 1% less than and 1% greater than the health trend rates assumed.

	1% Decrease in Healthcare Trend Rate	Current Single Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
Proportionate Share of the Net OPEB Liability	\$ 1,225,203	\$ 1,487,891	\$ 1,825,838

FLATONIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

H. Defined Other Post-Employment Benefit Plan (Concluded)

Changes Since the Prior Actuarial Valuation

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

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

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

For the year ended August 31, 2024, the District recognized OPEB Expense of (\$544,699) and revenue of (\$383,812) for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Actuarial Experiences	\$ 67,316	\$ 1,251,778
Changes in Actuarial Assumptions	203,086	911,075
Difference Between Projected and Actual Investment Earnings	643	-
Changes in Proportion and Difference Between the Employer's Contributions and the Proportionate Share of Contributions	978,005	161,236
Contributions Paid to TRS Subsequent to the Measurement Date	50,646	-
Total	<u>\$1,299,696</u>	<u>\$ 2,324,089</u>

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

Year ended August 31:	OPEB Expense Amount
2025	\$ (275,586)
2026	\$ (207,342)
2027	\$ (114,952)
2028	\$ (160,252)
2029	\$ (143,195)
Thereafter	\$ (173,712)

For the year ended August 31, 2024, the changes to the TRS net OPEB liability were as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Net OPEB Liability	<u>\$ 1,343,398</u>	<u>\$ 144,493</u>	<u>\$ -</u>	<u>\$ 1,487,891</u>

FLATONIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

I. Health Care Coverage – Retirees and Active Employees

Retiree Health Care Coverage

Plan Description

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas (TRS). TRS-Care provides health care coverage for certain persons (and their dependents) who have retired under the Teacher Retirement System of Texas.

The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. The report may be obtained by visiting the TRS website at www.trs.state.tx.us, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling (800) 223-8778.

Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The contribution rate for the active employees was 0.65% for the years ended August 31, 2024, 2023, and 2022. The contribution rate for the State was 1.25% for the years ended August 31, 2024, 2023, and 2022. The contribution rate for the District was 0.75% for the years ended August 31, 2024, 2023, and 2022. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school.

Contributions

Contributions made by the State on behalf of the District are recorded in the governmental funds financial statements as both revenue and expenditures. State contributions to TRS made on behalf of the District's employees as well as the Member's and District's required contributions for the years ended August 31, 2024, 2023, and 2022 are as follows:

Contribution Rates and Contribution Amounts						
Year	Member		State		District	
	Rate	Amount	Rate	Amount	Rate	Amount
2024	0.65%	\$ 32,277	1.25%	\$ 59,141	0.75%	\$ 37,243
2023	0.65%	\$ 32,205	1.25%	\$ 54,471	0.75%	\$ 37,159
2022	0.65%	\$ 29,999	1.25%	\$ 51,822	0.75%	\$ 34,614

Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which became effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2024, 2023, and 2022, the subsidy payments received by TRS-Care on behalf of the District were \$26,356, \$26,206, and \$19,659, respectively.

FLATONIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

I. Health Care Coverage – Retirees and Active Employees (Concluded)

Active Employee Health Care Coverage

Plan Description

The District participates in TRS Active Care sponsored by the Teacher Retirement System of Texas and administered through Aetna and Caremark (pharmacy). TRS Active Care 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.

J. Commitments and Contingencies

Contingencies

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

K. Shared Services Arrangements

The District participates in a shared services arrangement (“SSA”) with several other school districts for special education services. The District does not account for revenues or expenditures in this program and does not disclose them in its financial statements. The District has neither a joint ownership interest in capital assets purchased by the fiscal agent, Schulenburg I.S.D., nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA. In accordance with the Resource Guide, the payments to the fiscal agent are recorded as expenditures in Function 93, “Payments Related to Shared Services Arrangements.” Latest financial statements for the SSA are available for year ended August 31, 2023, from the fiscal agent.

FLATONIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2024

L. Local and Intermediate Revenue

During the year ended August 31, 2024, local and intermediate revenues consisted of the following:

Revenue Description	Fund	Amount
Property Taxes Including Penalties and Interest	General	\$ 4,818,181
Interest Income from Temporary Investments	General	499,589
Extracurricular Activities	General	44,622
Oil & Gas Royalties	General	10,083
Section 313	General	56,500
Other Miscellaneous Revenues	General	65,907
Total General Fund		<u>5,494,882</u>
Property Taxes Including Penalties and Interest	Debt Service	877,013
Interest Income from Temporary Investments	Debt Service	49,587
Total Debt Service Fund		<u>926,600</u>
Interest Income from Temporary Investments	Capital Projects	129
Revenues from Meals Served	Special Revenue	108,938
Interest Income from Temporary Investments	Special Revenue	1,879
Revenues from Enterprising Activities	Special Revenue	148,661
Total Other Funds		<u>259,607</u>
Total Governmental Funds		<u>6,681,089</u>
Revenues from User Charges	Internal Service	24,455
Interest Income from Temporary Investments	Internal Service	208
Total Proprietary Funds		<u>24,663</u>
Revenues from Enterprising Services	Custodial	311,130
Gifts and Bequests	Trust	30,500
Interest Income from Temporary Investments	Trust	57,466
Total Fiduciary Funds		<u>399,096</u>
Total Local and Intermediate Revenues		<u>\$ 7,104,848</u>

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

FLATONIA 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	\$ 4,653,500	\$ 5,450,000	\$ 5,494,882	\$ 44,882
5800 State Program Revenues	4,321,811	4,500,000	4,762,093	262,093
5900 Federal Program Revenues	5,000	5,000	55,886	50,886
5020 Total Revenues	8,980,311	9,955,000	10,312,861	357,861
EXPENDITURES:				
Current:				
0011 Instruction	4,644,166	4,785,166	4,768,866	16,300
0012 Instructional Resources and Media Services	92,865	100,865	96,034	4,831
0013 Curriculum and Instructional Staff Development	10,500	4,000	1,189	2,811
0021 Instructional Leadership	230,036	240,036	236,206	3,830
0023 School Leadership	426,000	429,000	427,450	1,550
0031 Guidance, Counseling, and Evaluation Services	167,481	174,481	169,958	4,523
0033 Health Services	128,963	93,963	84,696	9,267
0034 Student (Pupil) Transportation	359,321	477,321	474,356	2,965
0035 Food Services	22,760	32,760	29,107	3,653
0036 Extracurricular Activities	594,136	642,036	626,245	15,791
0041 General Administration	468,376	468,376	442,861	25,515
0051 Facilities Maintenance and Operations	1,035,469	1,097,469	1,079,805	17,664
0052 Security and Monitoring Services	19,500	49,500	46,665	2,835
0053 Data Processing Services	286,462	298,462	287,497	10,965
Debt Service:				
0071 Principal on Long-Term Liabilities	75,840	75,840	75,836	4
0072 Interest on Long-Term Liabilities	3,122	3,122	3,117	5
Capital Outlay:				
0081 Facilities Acquisition and Construction	83,314	2,370,714	2,275,837	94,877
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	197,000	204,000	202,350	1,650
0095 Payments to Juvenile Justice Alternative Ed. Prg.	20,000	20,000	19,900	100
0099 Other Intergovernmental Charges	115,000	110,000	106,464	3,536
6030 Total Expenditures	8,980,311	11,677,111	11,454,439	222,672
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(1,722,111)	(1,141,578)	580,533
OTHER FINANCING SOURCES (USES):				
7913 Right-to-Use Lease and SBITA Proceeds	-	-	97,302	97,302
1200 Net Change in Fund Balances	-	(1,722,111)	(1,044,276)	677,835
0100 Fund Balance - September 1 (Beginning)	8,196,122	8,196,122	8,196,122	-
3000 Fund Balance - August 31 (Ending)	\$ 8,196,122	\$ 6,474,011	\$ 7,151,846	\$ 677,835

FLATONIA 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)	0.003646485%	0.002975198%	0.002980947%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 2,504,784	\$ 1,766,299	\$ 759,142
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	4,223,917	3,773,773	1,776,054
Total	<u>\$ 6,728,701</u>	<u>\$ 5,540,072</u>	<u>\$ 2,535,196</u>
District's Covered Payroll	\$ 4,949,488	\$ 4,615,148	\$ 4,618,565
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	50.61%	38.27%	16.44%
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
0.003124483%	0.003220032%	0.003042199%	0.003191904%	0.003047034%	0.0032045%	0.0018198%
\$ 1,673,409	\$ 1,673,873	\$ 1,674,500	\$ 1,020,599	\$ 1,151,429	\$ 1,132,748	\$ 486,095
3,593,709	3,097,877	3,533,405	2,086,681	2,494,177	2,580,540	2,177,808
\$ 5,267,118	\$ 4,771,750	\$ 5,207,905	\$ 3,107,280	\$ 3,645,606	\$ 3,713,288	\$ 2,663,903
\$ 4,617,755	\$ 3,891,921	\$ 3,904,842	\$ 3,916,523	\$ 3,726,767	\$ 3,795,580	\$ 3,638,739
36.24%	43.01%	42.88%	26.06%	30.90%	29.84%	13.36%
75.54%	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

FLATONIA 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	\$ 186,227	\$ 170,403	\$ 140,400
Contribution in Relation to the Contractually Required Contribution	(186,227)	(170,403)	(140,400)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 4,965,704	\$ 4,949,488	\$ 4,615,148
Contributions as a Percentage of Covered Payroll	3.75%	3.44%	3.04%

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
\$ 125,017	\$ 125,647	\$ 108,694	\$ 100,185	\$ 100,892	\$ 92,339	\$ 87,421
(125,017)	(125,647)	(108,694)	(100,185)	(100,892)	(92,339)	(87,421)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 4,617,755	\$ 4,348,923	\$ 3,891,921	\$ 3,904,842	\$ 3,916,523	\$ 3,726,767	\$ 3,795,580
2.71%	2.89%	2.79%	2.57%	2.58%	2.48%	2.30%

FLATONIA 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	0.006720887%	0.005610582%	0.005789482%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 1,487,891	\$ 1,343,398	\$ 2,233,262
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	1,795,369	1,638,735	2,992,073
Total	<u>\$ 3,283,260</u>	<u>\$ 2,982,133</u>	<u>\$ 5,225,335</u>
District's Covered Payroll	\$ 4,949,488	\$ 4,615,148	\$ 4,618,565
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	30.06%	29.11%	48.35%
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	
0.005977871%		0.005189206%		0.004834045%		0.004580679%	
\$	2,272,459	\$	2,454,040	\$	2,413,683	\$	1,991,965
3,053,640		3,260,869		3,406,045		3,069,048	
\$	5,326,099	\$	5,714,909	\$	5,819,728	\$	5,061,013
\$	4,348,923	\$	3,891,921	\$	3,904,842	\$	3,915,523
52.25%		63.05%		61.81%		50.86%	
4.99%		2.66%		1.57%		0.91%	

FLATONIA 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	\$ 50,646	\$ 49,158	\$ 47,216
Contribution in Relation to the Contractually Required Contribution	(50,646)	(49,158)	(47,216)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 4,965,704	\$ 4,949,488	\$ 4,615,148
Contributions as a Percentage of Covered Payroll	1.02%	0.99%	1.02%

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	2017
\$ 44,640	\$ 44,143	\$ 36,626	\$ 31,427	\$ 21,541
(44,640)	(44,143)	(36,626)	(31,427)	(21,541)
\$ -	\$ -	\$ -	\$ -	\$ -
\$ 4,617,755	\$ 4,348,923	\$ 3,891,921	\$ 3,904,842	\$ 3,916,523
0.97%	1.02%	0.94%	0.80%	0.55%

FLATONIA INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2024

Budgetary Data

The official budget was prepared for adoption for the General Fund, Debt Service Fund, and the Food Service Fund, which is included within the Special Revenue Funds. The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- a. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
- c. Prior to September 1, the budget is legally enacted through passage of a resolution of the Board.

Once a budget is approved, it can be amended at the function and fund level only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made during the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. During the year, the budget was amended as necessary, within all material respects.

Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

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 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 in assumptions.

TRS OPEB Plan

Changes of Benefit Terms

There were no changes in benefit terms.

Changes of Assumptions

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

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

FLATONIA 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	1.170000	0.140000	451,441,069
2017	1.170000	0.140000	381,937,327
2018	1.170000	0.140000	397,247,591
2019	1.170000	0.140000	435,331,015
2020	1.068350	0.183500	471,813,725
2021	1.068350	0.183500	450,991,524
2022	1.051700	0.192000	443,219,400
2023	0.955000	0.163000	515,261,788
2024 (School year under audit)	0.757500	0.137610	600,282,185
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
\$ 23,021	\$ -	\$ 911	\$ 96	\$ (157)	\$ 21,857	
9,615	-	679	81	(79)	8,776	
10,833	-	1,191	142	(48)	9,452	
9,644	-	1,419	170	(49)	8,006	
13,621	-	(1,000)	(120)	(3,149)	11,592	
32,007	-	2,386	410	(16,428)	12,783	
44,315	-	80,064	13,752	63,424	13,923	
94,090	-	88,390	16,136	62,830	52,394	
125,666	-	115,963	19,786	73,489	63,406	
-	5,373,186	4,466,611	816,163	(27,376)	63,036	
<u>\$ 362,812</u>	<u>\$ 5,373,186</u>	<u>\$ 4,756,614</u>	<u>\$ 866,616</u>	<u>\$ 152,457</u>	<u>\$ 265,225</u>	

\$ -

Reconciliation of Ending Balance per Exhibit J-1 to Balance per Exhibits A-1 and C-1:

Ending Balance per Exhibit J-1	\$ 265,225
Accrued Penalties and Interest on Delinquent Property Taxes Receivable	152,901
Property Taxes - Delinquent per Exhibits A-1 and C-1	<u>\$ 418,126</u>

FLATONIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
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	\$ 89,800	\$ 101,800	\$ 109,783	\$ 7,983
5800 State Program Revenues	10,536	12,536	7,051	(5,485)
5900 Federal Program Revenues	280,950	280,950	264,382	(16,568)
5020 Total Revenues	381,286	395,286	381,216	(14,070)
EXPENDITURES:				
Current:				
0035 Food Services	381,286	421,336	414,340	6,996
6030 Total Expenditures	381,286	421,336	414,340	6,996
1200 Net Change in Fund Balances	-	(26,050)	(33,124)	(7,074)
0100 Fund Balance - September 1 (Beginning)	123,052	123,052	123,052	-
3000 Fund Balance - August 31 (Ending)	\$ 123,052	\$ 97,002	\$ 89,928	\$ (7,074)

FLATONIA 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	\$ 832,690	\$ 917,690	\$ 926,600	\$ 8,910
5800 State Program Revenues	15,000	85,000	85,139	139
5020 Total Revenues	847,690	1,002,690	1,011,739	9,049
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Liabilities	235,000	290,000	235,000	55,000
0072 Interest on Long-Term Liabilities	609,340	709,340	609,656	99,684
0073 Bond Issuance Cost and Fees	3,350	3,350	3,350	-
6030 Total Expenditures	847,690	1,002,690	848,006	154,684
1200 Net Change in Fund Balances	-	-	163,733	163,733
0100 Fund Balance - September 1 (Beginning)	836,374	836,374	836,374	-
3000 Fund Balance - August 31 (Ending)	\$ 836,374	\$ 836,374	\$ 1,000,107	\$ 163,733

FLATONIA 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.	\$484,638
AP4	Actual direct program expenditures for state compensatory education programs during the district's fiscal year. (PICs 24,26,28,29,30)	\$537,530

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.	\$36,330
AP8	Actual direct program expenditures for bilingual education programs during the district's fiscal year. (PIC 25)	\$25,812



Roloff, Hnatek & Co., L.L.P.

Certified Public Accountants
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Independent Auditors' 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
Flatonia Independent School District
400 E. 4th Street
Flatonia, Texas 78941

Members of the Board of Trustees:

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 Flatonia Independent School District as of and for the year ended August 31, 2024, and the related notes to the financial statements, which collectively comprise Flatonia Independent School District's basic financial statements, and have issued our report thereon dated November 25, 2024.

Report on Internal Control Over Financial Reporting,

In planning and performing our audit of the financial statements, we considered Flatonia Independent School District's internal control over financial reporting (internal control) to determine the 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 Flatonia Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Flatonia 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 Flatonia Independent School District's financial statements are free from 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.

Respectfully submitted,



Roloff, Hnatek & Co., L.L.P.
November 25, 2024



Roloff, Hnatek & Co., L.L.P.

Certified Public Accountants
Financial Consultants
Business Advisors
www.rhcllp.com

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Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Trustees
Flatonia Independent School District
400 E. 4th St.
Flatonia, Texas 78941

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Flatonia Independent School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Flatonia Independent School District's major federal programs for the year ended August 31, 2024. Flatonia Independent School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Flatonia Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Flatonia Independent School District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Flatonia Independent School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Flatonia Independent School District's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Flatonia Independent School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Flatonia Independent School District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Flatonia Independent School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Flatonia Independent School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Flatonia Independent School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink that reads "Roloff, Hnatek & Co., L.L.P." in a cursive, flowing script.

Roloff, Hnatek & Co., L.L.P.

November 25, 2024

FLATONIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2024

A. Summary of Auditors' Results

- * The auditors' report expresses an unmodified opinion on whether the financial statements of Flatonia Independent School District were prepared in accordance with U.S. general accepted accounting principles.
- * No significant deficiencies in internal control were disclosed by the audit.
- * No material instances of noncompliance were disclosed by the audit.
- * No significant deficiencies or material weaknesses in internal control over major federal award programs were disclosed by the audit.
- * The auditors' report on compliance for the major federal award programs for Flatonia Independent School District expresses an unmodified opinion on all major federal programs.
- * No findings required to be reported in accordance with 2 CFR section 200.516(a) are reported in this schedule.
- * Major Programs tested: Child Nutrition Program Cluster, ALN 10.553 and 10.555.
- * The threshold used to distinguish between Type A and Type B programs was \$750,000.
- * Flatonia Independent School District was determined to be a low-risk auditee.

B. Findings Related to the Financial Statements Which are Required to be Reported in Accordance with Generally Accepted Government Auditing Standards.

NONE

C. Findings and Questioned Costs for Federal Awards

NONE

FLATONIA INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2024

There were no findings and/or questioned costs noted during the prior year audit.

FLATONIA INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2024

No corrective action plan is required as there were no findings and/or questions costs noted.

FLATONIA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2024

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal Assistance Listing No.	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education:</u>			
<u>Direct Award:</u>			
Small Rural School Education Achievement Program	84.358A	S358A223644	\$ 6,976
Small Rural School Education Achievement Program	84.358A	S358A233638	<u>42,577</u>
Total Assistance Listing Number 84.358A			<u>49,553</u>
<u>Passed Through State Department of Education:</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	23610101075901	8,043
ESEA, Title I, Part A - Improving Basic Programs	84.010A	24610101075901	<u>90,267</u>
Total Assistance Listing Number 84.010A			<u>98,310</u>
ESEA, Title II, Part A, Teacher Principal Training	84.367A	23694501075901	1,354
ESEA, Title II, Part A, Teacher Principal Training	84.367A	24694501075901	<u>19,609</u>
Total Assistance Listing Number 84.367A			<u>20,963</u>
COVID-19 - CARES Act Stimulus Grant - ESSER III	84.425U	21528001075901	<u>345,946</u>
ESEA, Title IV, Part A, Subpart 1 - SSAE	84.424A	24680101075901	<u>10,000</u>
Total Passed Through State Department of Education			<u>475,219</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u><u>524,772</u></u>
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through State Department of Agriculture:</u>			
*COVID-19 - CARES Act - Supply Chain Grant Reallocation	10.555	17460008430	<u>23,685</u>
Total Passed Through State Department of Agriculture			<u>23,685</u>
<u>Passed Through State Department of Education:</u>			
*School Breakfast Program	10.553	71402401	<u>37,288</u>
*National School Lunch Program - Cash Assistance	10.555	71302401	179,633
*National School Lunch Program - Non-Cash Assistance	10.555	075-901	<u>23,776</u>
Total Assistance Listing Number 10.555			<u>203,409</u>
Total Child Nutrition Cluster			<u>264,382</u>
Total Passed Through State Department of Education			<u>240,697</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u><u>264,382</u></u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 789,154</u></u>

*Clustered Programs

See accompanying Notes to the Schedule of Expenditures of Federal Awards

FLATONIA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2024

- Because the schedule of expenditures of federal awards presents only a selected portion of the activities of the District, it is not intended to, and does not, present the financial position, or changes in net position, of the District.
- For all federal awards, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide*. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance is generally accounted for in the special revenue funds.
- The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental fund types are accounted for using a current financial resources measurement focus. All federal grant funds were accounted for in special revenue funds, which are governmental fund types.

With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used for the governmental fund types. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual (i.e., both measurable and available) and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

- The total non-cash federal awards expended during the year ended August 31, 2024, was \$23,776, all of which received under the National School Lunch Program, FAL No. 10.555.
- The District did not elect to use the 10% de minimus cost rate as covered in section 200.414 of the Uniform Guidance.
- Reconciliation of Federal Revenues:

Total Expenditures of Federal Awards – Exhibit K-1	\$ 789,154
Plus: SHARS/Medicaid and E-Rate Reimbursements	<u>55,886</u>
Total Federal Program Revenues – Exhibit C-3	<u><u>\$ 845,040</u></u>

APPENDIX C

FORMS OF CO-BOND COUNSEL'S OPINION AND TAX COUNSEL'S OPINION



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Houston, TX 77002
<https://frostbrowntodd.com/>



108 Wild Basin Rd, Suite 100
Austin, Texas, 78746
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_____, 2025

WE HAVE ACTED as Co-Bond Counsel for FLATONIA INDEPENDENT SCHOOL DISTRICT (the “**District**”), in connection with the issuance of bonds (the “**Bonds**”) described as follows:

FLATONIA INDEPENDENT SCHOOL DISTRICT UNLIMITED TAX REFUNDING BONDS, SERIES 2025, dated November 15, 2025, in the principal amount of \$12,520,000 and maturing on February 15 in the years 2025 through 2045, inclusive, and in the years 2047 and 2049. The Bonds are issuable in fully-registered form only, in denominations of \$5,000 of the principal amount or integral multiples thereof, bear interest, are subject to redemption prior to maturity, and may be transferred and exchanged as set out in the Bonds, in the bond order (the “**Bond Order**”) adopted by the Board of Trustees of the District authorizing their issuance and delegating the pricing of the Bonds and certain other matters to a “**Pricing Officer**” who approved and executed a Pricing Certificate, which completed the sale of the Bonds (the “**Pricing Certificate**” and, together with the Bond Order, the “**Order**”). Capitalized terms used herein and not otherwise defined shall have the meanings so assigned in the Order.

WE HAVE ACTED as Co-Bond Counsel for the sole purpose of rendering an opinion (the “**Opinion**”) with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas. In such capacity, we have participated in the preparation of, and have examined, a transcript of certain certified proceedings pertaining to the issuance of the Bonds and the bonds that are being refunded with the proceeds of the Bonds (the “**Refunded Bonds**”), as described in the Order. The transcript contains certified copies of certain proceedings of the District; certain certifications and representations, and other material facts within the knowledge and control of the District, upon which we rely; and certain other customary documents and instruments authorizing and relating to the issuance of the Bonds. We also have examined executed Bond No. R-1 of this issue. We also have examined such portions of the Constitution and statutes of the State of Texas as we have deemed necessary for the purposes of rendering this Opinion.

WE HAVE NOT BEEN REQUESTED to examine, and have not investigated or verified, any original proceedings, records, data, or other material, but have relied upon the transcript of certified proceedings. We have not assumed any responsibility with respect to the financial condition or capabilities of the District or the disclosure thereof in connection with the sale of the

Bonds. Our role in connection with the District's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

BASED UPON SUCH EXAMINATION, it is our opinion that, under existing law:

(A) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently in effect; the Bonds constitute valid and legally binding obligations of the District, enforceable in accordance with the terms and conditions thereof, except to the extent that the rights and remedies of the owners of the Bonds may be limited by laws heretofore or hereafter enacted relating to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors of political subdivisions, and the exercise of judicial discretion in appropriate cases; and the Bonds have been authorized and delivered in accordance with existing law; and

(B) The Bonds are payable, both as to principal and interest, from the receipts of an annual ad valorem tax levied, without legal limit as to rate or amount, upon taxable property located within the District, which taxes have been pledged irrevocably to pay the principal of and interest on the Bonds.

OUR OPINION IS BASED ON EXISTING LAW AS OF THE DATE HEREOF, which is subject to change. Such opinion is further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement this Opinion 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, this Opinion is not a guarantee of result and represents our legal judgment based upon our review of existing law that we deem relevant to such opinion and in reliance upon the representations and covenants referenced above. We express no opinion as to any matters not specifically covered hereby.

Respectfully submitted,



1100 Louisiana St., Suite 4300
Houston, TX 77002
<https://frostbrowntodd.com/>

_____, 2025

WE HAVE ACTED AS SPECIAL TAX COUNSEL (“***Special Tax Counsel***”) to the FLATONIA INDEPENDENT SCHOOL DISTRICT (the “***District***”) in connection with the issuance by the District of its Unlimited Tax Refunding Bonds, Series 2025 in the aggregate principal amount of \$12,520,000 (the “***Bonds***”). The Bonds are authorized pursuant to a bond order Authorizing the Issuance of Flatonia Independent School District Unlimited Tax Refunding Bonds, Series 2025, adopted on October 9, 2025, by the Board of Trustees of the District (the “***Bond Order***”) and Delegating the Pricing of the Bonds and certain other matters to a “***Pricing Officer***,” who approved and executed a Pricing Certificate, which completed the sale of the Bonds (the “***Pricing Certificate***” and, together with the Bond Order, the “***Order***”).

AS SPECIAL TAX COUNSEL, we have reviewed (1) the applicable and pertinent laws of the United States of America, (2) the opinion of Frost Brown Todd LLP and Powell Law Group, LLP as co-bond counsel to the District (the “***Bond Counsel***”), (3) customary certifications and opinion of officials of the Issuer, (4) the transcript of the bonds that are being refunded (the “***Refunded Bonds***”) with the proceeds of the Bonds, (5) the firm banking and financial arrangements for the discharge and final payment of the Refunded Bonds, (6) certificates executed by officers of the District relating to the expected use and investment of proceeds of the Bonds and certain other funds of the Issuer and the projects financed thereby and to certain other facts solely within the knowledge and control of the District (the “***Tax Certificate***”), (7) the Order and certain tax covenants therein, and (8) such other documents, opinions and matters to the extent we deemed necessary to render the opinion set forth herein. 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 HAVE SERVED AS SPECIAL TAX COUNSEL for the District solely to pass upon the matters set forth in our opinion below 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 District. We have not assumed any responsibility with respect to the financial condition or capabilities of the District 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 or the accuracy, adequacy, or completeness of any offering material relating to the Bonds. With respect to the validity of the Bonds, we are relying upon the opinion of Bond Counsel. We express no opinion concerning any effect on the following opinion which may result from changes in law effected after the date hereof.

BASED ON OUR EXAMINATION, IT IS OUR OPINION that as of the date hereof, and assuming continuing compliance after the date hereof by the Issuer with the provisions of the Order,

including the tax covenants therein, and in reliance upon the representations and certifications of the District made in the Tax Certificate that:

Under existing federal statutes, decisions, regulations and rulings existing on this date, interest on the Bonds is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as in effect on the date hereof (the “**Code**”), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals; however, such interest on the Bonds may be taken into account for the purpose of computing the alternative minimum tax imposed on certain corporations.

WE NOTE THAT the Bonds have not been designated as “qualified tax-exempt obligations” under Section 265 of the Code.

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 ownership, acquisition or disposition of, the Bonds.

OUR OPINION IS BASED ON EXISTING LAW AS OF THE DATE HEREOF, which is subject to change. Such opinion is further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement this Opinion 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, this Opinion is not a guarantee of result and represents our legal judgment based upon our review of existing law that we deem relevant to such opinion and in reliance upon the representations and covenants referenced above. We express no opinion as to any matters not specifically covered hereby.

Respectfully submitted,

FROST BROWN TODD LLP

APPENDIX D

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

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

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

History and Purpose

The PSF supports the State’s public school system in two major ways: distributions to the constitutionally established Available School Fund (the “ASF”), as described below, and the guarantee of school district and charter district issued bonds through the Guarantee Program. The PSF was created in 1845 and received its first significant funding with a \$2,000,000 appropriation by the Legislature in 1854 expressly for the benefit of the public schools of Texas, with the sole purpose of assisting in the funding of public education for present and future generations. The Constitution of 1876 described that the PSF would be “permanent,” and stipulated that certain lands and all proceeds from the sale of these lands should also constitute the PSF. Additional acts later gave more public domain land and rights to the PSF. In 1953, the U.S. Congress passed the Submerged Lands Act that relinquished to coastal states all rights of the U.S. navigable waters within state boundaries. If the State, by law, had set a larger boundary prior to or at the time of admission to the Union, or if the boundary had been approved by Congress, then the larger boundary applied. After three years of litigation (1957-1960), the U.S. Supreme Court on May 31, 1960, affirmed Texas’ historic three marine leagues (10.35 miles) seaward boundary. Texas proved its submerged lands property rights to three leagues into the Gulf of Mexico by citing historic laws

and treaties dating back to 1836. All lands lying within that limit belong to the PSF. The proceeds from the sale and the mineral-related rental of these lands, including bonuses, delay rentals and royalty payments, become the corpus of the Fund. Prior to the approval by the voters of the State of an amendment to the constitutional provision under which the Fund was established and administered, which occurred on September 13, 2003 (the “Total Return Constitutional Amendment”), and which is further described below, only the income produced by the PSF could be used to complement taxes in financing public education, which primarily consisted of income from securities, capital gains from securities transactions, and royalties from the sale of oil and natural gas. The Total Return Constitutional Amendment provides that interest and dividends produced by Fund investments will be additional revenue to the PSF.

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

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

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

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

Audited financial information for the PSF is provided annually through the PSF Corporation’s Annual Comprehensive Financial Report (the “Annual Report”), which is filed with the Municipal Securities Rulemaking Board (“MSRB”). The Texas School Land Board’s (the “SLB”) land and real assets investment operations, which are part of the PSF as described below, are also included in the annual financial report of the Texas General Land Office (the “GLO”) that is included in the annual comprehensive report of the State of Texas. The Annual Report includes the Message From the Chief Executive Officer of the PSF Corporation (the “Message”) and the Management’s Discussion and Analysis (“MD&A”). The Annual Report for the year ended August 31, 2024, as filed with the MSRB in accordance with the PSF undertaking and agreement made in accordance with Rule 15c2-12 (“Rule 15c2-12”) of the United States Securities and Exchange Commission

(the “SEC”), as described below, is hereby incorporated by reference into this disclosure. Information included herein for the year ended August 31, 2024, is derived from the audited financial statements of the PSF, which are included in the Annual Report as it is filed and posted. Reference is made to the Annual Report for the complete Message and MD&A for the year ended August 31, 2024, and for a description of the financial results of the PSF for the year ended August 31, 2024, the most recent year for which audited financial information regarding the Fund is available. The 2024 Annual Report speaks only as of its date and the PSF Corporation has not obligated itself to update the 2024 Annual Report or any other Annual Report. The PSF Corporation posts (i) each Annual Report, which includes statistical data regarding the Fund as of the close of each fiscal year, (ii) the most recent disclosure for the Guarantee Program, (iii) the PSF Corporation’s Investment Policy Statement (the “IPS”), and (iv) monthly updates with respect to the capacity of the Guarantee Program (collectively, the “Web Site Materials”) on the PSF Corporation’s web site at <https://texaspsf.org> and with the MSRB at www.emma.msrb.org. 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>2023²</u>	<u>2024</u>
PSF(CORP) Distribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$2,076	\$2,156
PSF(SBOE) Distribution	839	1,056	1,056	1,236	1,236	1,102	1,102	1,731	-	-
PSF(SLB) Distribution	-	-	-	-	300	600	600 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 Rate¹</u>	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)

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

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

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

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	
Treasury	\$ 5,428.23

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

Capacity Limits for the Guarantee Program

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

Prior to 2007, various legislation was enacted modifying the calculation of the State Capacity limit; however, in 2007, Senate Bill 389 ("SB 389") was enacted, providing for increases in the capacity of the Guarantee Program, and specifically providing that the SBOE may by rule increase the capacity of the Guarantee Program from two and one-half times the cost value of the PSF to an amount not to

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

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

Changes in SBOE-determined multiplier for State Capacity Limit

<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⁾

Fiscal Year Ended	<u>School District Bonds</u>		<u>Charter District Bonds</u>		<u>Totals</u>	
	No. of Issues	Principal Amount (\$)	No. of Issues	Principal Amount (\$)	No. of Issues	Principal Amount (\$)
8/31						
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 and on 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. On March 31, 2025, the TEA and the PSF Corporation became aware that the 2022 operating data was not timely filed with EMMA due to an administrative oversight. TEA and PSF Corporation took corrective action and filed a notice of late filing with EMMA on April 4, 2025. The annual operating data was previously posted to EMMA on March 31, 2023.

SEC Exemptive Relief

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

