

**PRELIMINARY OFFICIAL STATEMENT**  
**Dated November 12, 2024**

NEW ISSUE – BOOK ENTRY ONLY

**Enhanced/Unenhanced Ratings:**  
**Moody's: "Aaa" / "A1"**  
**PSF: "Applied For"**

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

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



**\$35,000,000\***  
**CADDO MILLS INDEPENDENT SCHOOL DISTRICT**  
**(A political subdivision of the State of Texas located in Hunt County, Texas)**  
**UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2024**

**Dated Date: December 1, 2024**

**Due: August 15, as shown on page ii herein**

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

**AUTHORITY FOR ISSUANCE AND SECURITY** ... The Caddo Mills Independent School District (the "District") is issuing Unlimited Tax School Building Bonds, Series 2024 (the "Bonds") pursuant to the Constitution and general laws of the State of Texas (the "State"), including, particularly Chapter 1371, Texas Government Code, as amended, and Chapter 45, Texas Education Code, as amended, an election held in the District on May 6, 2023 (the "Election") that authorized the issuance of unlimited tax bonds and a bond order ("Bond Order") adopted by the Board of Trustees (the "Board") of the District on October 21, 2024 (the "Bond Order"). In the Bond Order, the Board delegated pricing of the Bonds and certain other matters to a "Pricing Officer" who will approve and execute a "Pricing Certificate," which will complete the sale of the Bonds. The Bond Order and the Pricing Certificate are collectively referred to herein as the "Order". The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable from an annual ad valorem tax levied, without legal limit as to the rate or amount, against all taxable property within the District (see "THE BONDS - Authority for Issuance"). The District has applied for and anticipates receiving conditional approval from the Texas Education Agency for the payment of principal of and interest on the Bonds to be guaranteed the Permanent School Fund of Texas which guarantee will automatically become effective when the Attorney General of Texas approves the Bonds. See "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein.

**PAYMENT TERMS** ... Interest on the Bonds will accrue from the Date of Delivery (defined below) and will be payable on February 15 and August 15 of each year, commencing February 15, 2025, 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 the principal denominations of \$5,000 or any integral multiple thereof within a stated maturity. The definitive Bonds will be registered and delivered to Cede & Co., 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 securities depository. No physical delivery of the bonds will be made to the beneficial owners thereof. The principal and interest of the Bonds will be payable by the registrar Cede & Co., which will make distributing of the amounts paid to participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein. The initial paying agent/registrar is the UMB Bank, N.A., Austin, Texas. See "REGISTRATION, TRANSFER, AND EXCHANGE" herein.

**PURPOSE** ... Proceeds from the sale of the Bonds will be used for (i) constructing, renovating and equipping a football/soccer/track/band stadium at Caddo Mills High School, (ii) paying the costs of issuance related to the issuance of the Bonds and (iii) funding capitalized interest on the Bonds, if any. See "PLAN OF FINANCING – Sources and Uses of Funds" herein.

---

**For Stated Maturities Principal Amounts, Interest Rates, Initial Yields, CUSIP Numbers,  
and Optional Redemption for the Bonds, see page ii herein**

---

*The Bonds are offered for delivery when, as and if issued and received by the underwriters of the Bonds (the "Underwriters") and are subject to the approving opinion of the Attorney General of the State of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel (see "APPENDIX C – FORM OF BOND COUNSEL'S OPINION" hereto). Certain matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas. It is expected that the Bonds will be available for delivery through DTC on or about December 18, 2024\* (the "Date of Delivery").*

**STIFEL**

**RAYMOND JAMES**

---

\* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or filing under the securities laws of any such jurisdiction.

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

**\$35,000,000\***  
**CADDO MILLS INDEPENDENT SCHOOL DISTRICT**  
**(A political subdivision of the State of Texas located in Hunt County, Texas)**  
**UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2024**

CUSIP No. Prefix 127253<sup>(1)</sup>

<b>Maturity Date</b>	<b>Principal</b>	<b>Interest Rate</b>	<b>Initial Yield<sup>(2)</sup></b>	<b>CUSIP No.</b>
<b>(8/15)</b>	<b>(\$)</b>	<b>(%)</b>	<b>(%)</b>	<b>Suffix<sup>(1)</sup></b>
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				
2038				
2039				
2040				
2041				
2042				
2043				
2044				
2045				
2046				
2047				
2048				
2049				
2050				
2051				
2052				
2053				
2054				
2055				
2056				

(Interest to accrue from the initial Date of Delivery)

The District reserves the option to redeem the Bonds maturing on and after August 15, 2035\* in whole or in part before their respective scheduled maturity dates, in the principal amount of \$5,000 or any integral multiple thereof, on August 15, 2034\*, or on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption. If two or more Bonds of consecutive maturity are combined into one or more "term" bonds (the "Term Bonds") by the Underwriters, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the Bond Order. See "THE BONDS – Redemption Provisions of the Bonds."

\* Preliminary, subject to change.

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

<sup>(2)</sup> The initial yields at which Bonds are priced are established by and are the sole responsibility of the Underwriters and may be changed at any time at the discretion of the Underwriters.

**CADDO MILLS INDEPENDENT SCHOOL DISTRICT**  
**100 Fox Lane**  
**Caddo Mills, Texas 75135**

**BOARD OF TRUSTEES**

<u>Name</u>	<u>Position</u>	<u>Term Expiration</u>
Mark Sweeney	President	May 2025
Eddie Hall	Vice President	May 2025
Dane Scoggins	Secretary	May 2025
Nanette Mulkey	Member	May 2026
Barry Stapleton	Member	May 2027
Rueben Terry	Member	May 2026
Chris Tillery	Member	May 2027

**ADMINISTRATION – FINANCE CONNECTED**

<u>Name</u>	<u>Position</u>
Luke Allison	Superintendent of Schools
Heidi Smith	Business Manager

**CONSULTANTS AND ADVISORS**

Bond Counsel	McCall, Parkhurst & Horton LLP, Dallas, Texas
Financial Advisor	Frost Bank, San Antonio, Texas
Auditors	Rutherford, Taylor & Company, P.C., Greenville, Texas

For Additional Information Contact:

Heidi Smith  
Business Manager  
Caddo Mills Independent School District  
100 Fox Lane  
Caddo Mills, Texas 75135  
(903) 527-6056  
[hsmith@caddomillsisd.org](mailto:hsmith@caddomillsisd.org)

Lucas Janda  
Senior Vice President  
Frost Bank  
111 West Houston Street  
San Antonio, Texas 78205  
(512) 799-2619  
[lucas.janda@frostbank.com](mailto:lucas.janda@frostbank.com)

Eduardo Cabrera  
Vice President  
Frost Bank  
111 West Houston Street  
San Antonio, Texas 78205  
(737) 218-2754  
[eduardo.cabrera@frostbank.com](mailto:eduardo.cabrera@frostbank.com)

## USE OF INFORMATION IN THE OFFICIAL STATEMENT

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

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

Official Statement doesn't 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 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" and "CONTINUING DISCLOSURE OF INFORMATION" for a description of the undertakings of the Texas Education Agency ("TEA") and the District, respectively, to provide certain information on a continuing basis.

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

THE 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 UNDERWRITERS 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, Financial Advisor, or the Underwriters make any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company ("DTC") or its book-entry-only system described under the caption "BOOK-ENTRY-ONLY SYSTEM" or the affairs of TEA described in "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM", 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 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 MAY BE A CRIMINAL OFFENSE.

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES, AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT THAN THE FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS. SEE "OTHER PERTINENT INFORMATION-FORWARD LOOKING STATEMENTS" HEREIN.

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 hyperlinks contained therein are not incorporated into, and are not part of, this Official Statement for any purpose.

**TABLE OF CONTENTS**

USE OF INFORMATION IN THE OFFICIAL STATEMENT.....iv	Litigation Relating to the Texas Public School Finance System ..... 13
TABLE OF CONTENTS ..... v	Possible Effects of Changes in Law on District Bonds ..... 14
OFFICIAL STATEMENT SUMMARY .....vi	CURRENT PUBLIC SCHOOL FINANCE SYSTEM ..... 14
INTRODUCTION ..... 2	Overview ..... 14
PLAN OF FINANCING ..... 2	2023 Legislative Session..... 15
Purpose..... 2	Local Funding for School Districts ..... 15
Sources and Uses of Funds..... 3	State Funding for School Districts ..... 16
THE BONDS ..... 3	Local Revenue Level in Excess of Entitlement..... 18
Description of the Bonds..... 3	THE SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT ..... 19
Authority for Issuance ..... 3	TAX RATE LIMITATIONS ..... 19
Security and Source of Payment..... 3	M&O Tax Rate Limitations..... 20
Permanent School Fund Guarantee ..... 4	I&S Tax Rate Limitations ..... 20
Optional Redemption of the Bonds ..... 4	Public Hearing and Voter-Approval Tax Rate..... 20
Notice of Redemption ..... 4	EMPLOYEE BENEFITS, RETIREMENT PLAN AND OTHER POST-EMPLOYMENT BENEFITS..... 21
Defeasance ..... 5	INVESTMENT POLICIES ..... 22
Default and Remedies ..... 6	Legal Investments ..... 22
Payment Record ..... 6	Investment Policies ..... 23
Legality..... 6	LEGAL MATTERS ..... 24
Delivery ..... 6	Litigation ..... 25
Future Issues ..... 6	TAX MATTERS ..... 25
REGISTRATION, TRANSFER AND EXCHANGE ..... 7	Opinion ..... 25
Paying Agent/Registrar ..... 7	Federal Income Tax Accounting Treatment of Original Issue Discount ..... 25
Record Date for Interest Payment ..... 7	Collateral Federal Income Tax Consequences ..... 26
Registration, Transferability and Exchange ..... 7	State, Local and Foreign Taxes..... 27
Limitation on Transfer of Bonds ..... 7	Information Reporting and Backup Withholding ..... 27
BOOK-ENTRY-ONLY SYSTEM ..... 7	LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS..... 27
Use of Certain Terms in Other Sections of This Official Statement ..... 9	Cybersecurity ..... 27
Effect of Termination of Book-Entry-Only System ..... 9	CONTINUING DISCLOSURE ..... 28
AD VALOREM TAX PROCEDURES ..... 9	Annual Reports..... 28
Valuation of Taxable Property..... 9	Notice of Certain Events ..... 28
State Mandated Homestead Exemptions ..... 10	Availability of Information from MSRB ..... 29
Local Option Homestead Exemptions..... 10	Limitations and Amendments ..... 29
State Mandated Freeze on School District Taxes..... 10	OTHER PERTINENT INFORMATION ..... 29
Personal Property ..... 11	Authenticity of Financial Information..... 29
Freeport Exemptions..... 11	Registration and Qualification of Bonds for Sale ..... 30
Other Exempt Property ..... 11	Municipal Bond Rating..... 30
Temporary Exemption for Qualified Property Damaged by a Disaster..... 11	Financial Advisor ..... 30
Tax Increment Reinvestment Zones ..... 11	Audited Financial Statements..... 30
Tax Limitation Agreements ..... 12	Underwriting ..... 30
District and Taxpayer Remedies ..... 12	Miscellaneous..... 31
Levy and Collection of Taxes ..... 12	Forward Looking Statements..... 31
District's Rights in the Event of Tax Delinquencies..... 13	Authorization of the Official Statement ..... 32
THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT ..... 13	
STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS ..... 13	
APPENDIX A – SELECTED FINANCIAL INFORMATION REGARDING THE DISTRICT ..... A-1	
APPENDIX B – AUDITED FINANCIAL STATEMENTS..... B-1	
APPENDIX C – FORM OF BOND COUNSEL’S OPINION ..... C-1	
APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM ..... D-1	

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

## OFFICIAL STATEMENT SUMMARY

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

<b>THE DISTRICT .....</b>	The Caddo Mills Independent School District (the "District") is a political subdivision located in Hunt County, Texas. The District is governed by a seven-member Board of Trustees (the "Board"). Board trustees serve staggered three-year terms with elections being held in May of each year. Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools who is the chief administrative officer of the District.
<b>AUTHORITY FOR ISSUANCE</b>	The Bonds are issued pursuant to the Constitution and general laws of the State, including particularly Chapter 1371, Texas Government Code, as amended, and Chapter 45, Texas Education Code, as amended, an election held in the District on May 6, 2023, and a Bond Order adopted by the Board on October 21, 2024. In the Bond Order, the Board delegated to an officer (the "Pricing Officer") of the District authority to complete the sale of the Bonds. The terms of the sale will be included in a "Pricing Certificate," which will be approved and executed by the Pricing Officer and will complete the sale of the Bonds (see "THE BONDS – Authority for Issuance"). The Bond Order and the Pricing Certificate are collectively referred to herein as the "Order".
<b>THE BONDS .....</b>	The Bonds shall mature on the dates and in the amounts set forth on page ii of this Official Statement (see "PLAN OF FINANCING – Description of the Bonds").
<b>DATED DATE .....</b>	December 1, 2024.
<b>PAYMENT OF INTEREST ...</b>	Interest on the Bonds will accrue from the Date of Delivery and will be payable until stated maturity or prior to redemption on February 15 and August 15 of each year, commencing February 15, 2025 (see "THE BONDS – Description of the Bonds").
<b>REDEMPTION .....</b>	The District reserves the right to redeem the Bonds maturing on and after August 15, 2035*, in whole or in part, in the principal amount of \$5,000 or any integral multiple thereof, on August 15, 2034* or any date thereafter, at the redemption price of par plus accrued interest to the date of redemption. If two or more serial bonds of consecutive maturity are combined into one or more "term" Bonds (the "Term Bonds"), such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the Bond Order. (See "THE BONDS – Redemption Provisions of the Bonds" herein.)
<b>SECURITY FOR THE BONDS</b>	The Bonds constitute direct and voted obligations of the District payable from a continuing and direct annual ad valorem tax levied against all taxable property located therein, without legal limitation as to rate or amount. See "THE BONDS -Security and Source of Payment".
<b>PERMANENT SCHOOL FUND GUARANTEE .....</b>	The District has applied for and anticipates receiving conditional approval from the Texas Education Agency for the payment of principal of and interest on the Bonds to be guaranteed by the Permanent School Fund of Texas which guarantee will automatically become effective when the Attorney General of Texas approves the Bonds. (See "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein.)
<b>TAX MATTERS .....</b>	In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "Tax Matters" herein, including the alternative minimum tax on certain corporations.
<b>PAYING AGENT/REGISTRAR</b>	The initial Paying Agent/Registrar is the UMB Bank, N.A., Austin, Texas.
<b>MUNICIPAL BOND RATING ...</b>	The presently outstanding unlimited tax-supported debt of the District, including the Bonds, is rated "A1" by Moody's Investors Service ("Moody's") without regard to credit enhancement. The Bonds are also expected to be rated "Aaa" by Moody's by virtue of the guarantee of the Permanent School Fund of the State (see "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein.)
<b>USE OF PROCEEDS .....</b>	The Bonds are being issued to pay for (i) constructing, renovating and equipping a football/soccer/track/band stadium at Caddo Mills High School, (ii) the costs of issuance related to the issuance of the Bonds and (iii) funding capitalized interest on the Bonds, if any. (See "PLAN OF FINANCING - Purpose" and "—Sources and Uses of Funds").

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

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

**DELIVERY** ..... When issued, anticipated to occur on or about December 18, 2024\*.

**LEGALITY** ..... The Bonds are subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton, L.L.P., Bond Counsel (see “APPENDIX C – FORM OF BOND COUNSEL’S OPINION” herein).

\* Preliminary, subject to change.

*[Remainder of Page Intentionally Left Blank]*

## PRELIMINARY OFFICIAL STATEMENT

Relating to

**\$35,000,000\***  
**CADDO MILLS INDEPENDENT SCHOOL DISTRICT**  
**(A political subdivision of the State of Texas located in Hunt County, Texas)**  
**UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2024**

### INTRODUCTION

This Official Statement, which includes APPENDICES A, B, C, and D hereto, provides certain information regarding the issuance of the \$35,000,000\* Caddo Mills Independent School District (the "District") Unlimited Tax School Building Bonds, Series 2024 (the "Bonds"). The Bonds are being issued pursuant to the Constitution and general laws of the State, including particularly, Chapter 1371, Texas Government Code, as amended, Chapter 45, Texas Education Code, as amended, an election held in the District on May 6, 2023, and a bond order adopted by the Board on October 21, 2024 (the "Bond Order"). In the Bond Order, the Board delegated to an officer (the "Pricing Officer") of the District authority to complete the sale of the Bonds. The terms of the sale will be included in a "Pricing Certificate," which will be approved and executed by the Pricing Officer and will complete the sale of the Bonds. The Bond Order and the Pricing Certificate are collectively referred to herein as the "Order." The Bonds are direct and voted obligations of the District, payable from an annual ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property located within the District (see "THE BONDS – Authority for Issuance").

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

Included in this Official Statement are descriptions of the Bonds, the 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 upon request from the District and, during the offering period, from the District's Financial Advisor, Frost Bank, 111 West Houston St, San Antonio, Texas 78205, by electronic mail or upon payment of reasonable copying, mailing, and handling charges.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. Copies of the Official Statement will be deposited with the Municipal Securities Rulemaking Board and will be available through its Electronic Municipal Market Access ("EMMA") System. See "CONTINUING DISCLOSURE" for a description of the District's undertaking to provide certain information on a continuing basis.

### PLAN OF FINANCING

#### Purpose

The Bonds are being issued to pay for (i) constructing, renovating and equipping a football/soccer/track/band stadium at Caddo Mills High School, (ii) the costs of issuance related to the issuance of the Bonds and (iii) funding capitalized interest on the Bonds, if any.



## Sources and Uses of Funds

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

<u>Sources of Funds:</u>	
Par Amount of Bonds	\$
[Net] Reoffering Premium on the Bonds	
TOTAL SOURCES	\$
 <u>Uses of Funds:</u>	
Deposit to Construction Fund	\$
Deposit to Capitalized Interest Fund	
Underwriters' Discount	
Costs of Issuance and Contingency <sup>(1)</sup>	
TOTAL USES	\$

<sup>(1)</sup> Includes legal fees of the District, financial advisory fees, rating agency fees, fees of the Paying Agent/Registrar, contingency, and other costs of issuance.

## THE BONDS

### Description of the Bonds

The Bonds will be dated December 1, 2024 (the "Dated Date") and mature on August 15 in each of the years and in the amounts shown on the inside cover page. Interest on the Bonds will accrue from the date of initial delivery to the Underwriters (the "Delivery Date"), will be payable on February 15, 2025, and each February 15 and August 15 thereafter until maturity or prior redemption and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued only in fully registered form in the principal denominations of \$5,000 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 their 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 in principal for any one maturity.

The definitive Bonds will initially be registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 principal amount or integral multiples 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 issued pursuant to the Constitution and general laws of the State, including particularly Chapter 1371, Texas Government Code, as amended, and Chapter 45, Texas Education Code, as amended, the Order, and the Election.

### Security and Source of Payment

The Bonds constitute direct obligations of the District payable from a continuing and direct annual ad valorem tax levied, without legal limit as to rate or amount, against all taxable property located within the District, (See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICT IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM"). Additionally, the payment of the Bonds is expected to be guaranteed by the corpus of the Permanent School Fund of the State of Texas.

\* Preliminary, subject to change.

## **Permanent School Fund Guarantee**

The District has submitted an application to the Texas Education Agency, in connection with the sale of the Bonds, and anticipates receiving conditional approval from the Commissioner of Education for the payment of the Bonds to be guaranteed by the Permanent School Fund of Texas. Subject to certain conditions discussed in "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM", 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.

## **Optional Redemption Provisions**

The Bonds maturing on and after August 15, 2035\* are subject to redemption prior to maturity, at the option of the District, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2034\* or any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. If less than all of the Bonds are to be redeemed, the District shall determine the principal amount and maturities to be redeemed and shall direct the Paying Agent/Registrar to select by lot or other customary method that results in a random selection, the Bonds or portions thereof within a maturity, to be redeemed.

If less than all of the Bonds are to be redeemed, the District may select the maturities of Bonds to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal 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 Paying Agent/Registrar, at the direction of the District, shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar.

ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. UPON THE GIVING OF THE NOTICE OF REDEMPTION AND ANY OTHER CONDITION TO REDEMPTION SATISFIED, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND INTEREST ON SUCH BONDS OR PORTION THEREOF SHALL CEASE TO ACCRUE, IRRESPECTIVE OF WHETHER SUCH BONDS ARE SURRENDERED FOR PAYMENT.

The Paying Agent/Registrar and the District, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Order or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, 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 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 selected for redemption (see "BOOK-ENTRY-ONLY SYSTEM").

---

\* Preliminary, subject to change.

## Defeasance

The Bond Order provides for the defeasance of the Bonds when payment of the principal amount of the Bonds plus interest accrued on the Bonds to their due date (whether such due date be by reason of stated maturity, redemption, or otherwise) is provided by irrevocably depositing with a paying agent, or other authorized escrow agent, in trust (1) money in an amount sufficient to make such payment and/or (2) Defeasance Securities, that will mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds, and thereafter the District will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The District has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance. The Bond Order provides that "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Bonds. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District authorizes the defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that on the date the governing body of the District adopts or approves the proceedings authorizing the financial arrangements have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The Bond Order allows the Pricing Officer to restrict the categories of eligible Defeasance Securities in connection with the pricing of the Bonds.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Order does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used for defeasance purposes or that for any other Defeasance Security will be maintained at any particular rating category.

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

Defeasance will automatically cancel the Permanent School Fund Guarantee with respect to those defeased Bonds. The Issuer may without the consent of any Registered Owner (except as described below), amend or supplement the Order in order to (i) cure any ambiguity, defect or omission in the Order that does not materially adversely affect the interests of the Registered Owners, (ii) grant additional rights or security for the benefit of the Registered Owners, (iii) add events of default as shall not be inconsistent with the provisions of the Order and that shall not materially adversely affect the interests of the Registered Owners, (iv) qualify the Order under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect, or (v) make such other provisions in regard to matters or questions arising under the Order as shall not be inconsistent with the provisions of the Order and that shall not in the opinion of Bond Counsel materially adversely affect the interests of the Registered Owners.

Registered Owners of Bonds aggregating in a majority of the principal amount of then outstanding Bonds that are the subject of a proposed amendment shall have the right to approve any amendment to the Order that may be deemed necessary or desirable by the Issuer; provided, however, the consent of the Registered Owners of 100% of the aggregate principal amount of then outstanding Bonds shall be required in order to amend the terms and conditions of the Order or the Bonds so as to: (i) make any change in the maturity of any of the outstanding Bonds; (ii) reduce the rate of interest borne by any of the outstanding Bonds; (iii) reduce the amount of the principal of, or redemption premium, if any, payable on any outstanding Bonds; (iv) modify the terms of payment of principal or of interest or redemption premium on outstanding Bonds or any of them or impose any condition with respect to such payment; or (v) change the minimum percentage of the principal amount of the Bonds necessary for consent to such amendment.

## **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 Bond Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, and the State fails to honor the Permanent School Fund Guarantee as hereinafter discussed, the registered owners may seek a writ of mandamus to compel District officials to carry out their legally imposed duties with respect to the Bonds, if there is no other available remedy at law to compel performance of the Bonds or Order and the District's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Bond Order does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the District to perform in accordance with the terms of the Bond Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Chapter 1371, Texas Government Code ("Chapter 1371"), which forms part of the authority for the issuance of the Bonds, permits the District to waive sovereign immunity in the proceedings authorizing the issuance of the Bonds. However, the District has not waived the defense of sovereign immunity with respect thereto. Because it is unclear whether the Texas Legislature has effectively waived the District's sovereign immunity from a suit for money damages beyond Chapter 1371, Bondholders may not be able to bring such a suit against the District for breach of the Bonds or Order covenants. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the United States Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. (See "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein for a description of the procedures to be followed for payment of the Bonds by the Permanent School Fund in the event the District fails to make a payment on the Bonds when due.)

The opinion of Bond Counsel will be qualified with respect to the customary rights of debtors relative to their creditors and general principles of equity that permit the exercise of judicial discretion.

## **Payment Record**

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

## **Legality**

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

## **Delivery**

When issued; anticipated to occur on or about December 18, 2024.

## **Future Issues**

On May 6, 2023, the District's voters authorized the District to issue \$290,000,000 in unlimited ad valorem tax bonds (the "Election"). The District expects to apply proceeds of the bonds (principal and allocated premium) in the aggregate amount of \$35,000,000\* toward voter authorized projects, leaving \$175,000,000 in authorized but unissued bonds. Aside from the Bonds, the District does not anticipate the issuance of additional ad valorem tax-supported debt in the next twelve months.

---

\* Preliminary, subject to change.

The District may enter into other financial obligations, including maintenance tax notes payable from its collection of maintenance taxes, public property finance contractual obligations, delinquent tax notes, and leases for various purposes payable from State appropriations and surplus maintenance taxes.

## **REGISTRATION, TRANSFER AND EXCHANGE**

### **Paying Agent/Registrar**

The initial Paying Agent/Registrar is the UMB Bank, N.A., Austin, 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 next preceding each interest payment date.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 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 or Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bonds being transferred or exchanged at the designated office of the Paying Agent/Registrar or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. New Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Bonds 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. New Bonds 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 or Bonds 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 Bonds.

### **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 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 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 name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Financial Advisor believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

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

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

DTC, the world’s largest 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](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the 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 less 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.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but neither the District or the Financial Advisor take any responsibility for the accuracy thereof.

#### **Use of Certain Terms in Other Sections of This Official Statement**

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

#### **Effect of Termination of Book-Entry-Only System**

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the District, printed physical Bond certificates will be issued to the respective holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Bond Order and summarized under the caption "REGISTRATION, TRANSFER AND EXCHANGE" above.

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

Effective January 1, 2024, an appraisal district is prohibited from increasing the appraised value of real property during the 2024 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5 million dollars (the "Maximum Property Value") to an amount not to exceed the lesser of: (1) the market value of the

Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property (collectively, the "Appraisal Cap"). After the 2024 tax year, through December 31, 2026 unless extended by the State legislature, the Appraisal Cap 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 requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property, or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property.

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

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

### **State Mandated Homestead Exemptions**

State law grants, with respect to each school district in the State, (1) a \$100,000 exemption of the appraised value of all residence homesteads, (2) a \$10,000 exemption of the appraised value of the residence homesteads of person 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.

Additional legislation concerning the required homestead exemption was passed in the 2nd Special Session of the 88th Texas Legislature. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Overview – 2023 Legislative Sessions" herein.

### **Local Option Homestead Exemptions**

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

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

### **State Mandated Freeze on School District Taxes**

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

On May 7, 2022, a constitutional amendment was approved by voters of the State authorizing the legislature to provide for the reduction of the amount of a limitation on the total amount of ad valorem taxes that may be imposed for general elementary and secondary public school purposes of the residence homestead of a person who is elderly or disabled to reflect any statutory reduction from the preceding tax year in the maximum compressed rate of the maintenance and operations taxes imposed for those purposes on the homestead, effective for the tax year beginning January 1, 2023.



## **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.

## **Freeport Exemptions**

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

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

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

## **Other Exempt Property**

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

## **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. For more information on the exemption, reference is made to Section 11.35 of the Property Tax Code, as amended.

## **Tax Increment Reinvestment Zones**

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

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

## **Tax Limitation Agreements**

The Texas Economic Development Act (former Chapter 313, Texas Tax Code, as amended) 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 is not fully taxable is excluded from the school district's taxable property values. Therefore, a school district will not be subject to a reduction in Tier One or Tier Two State funds as a result of lost M&O tax revenues due to entering into a tax limitation agreement. 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").

During the Regular Session of the 88th Texas Legislature, House Bill 5 ("HB 5") was enacted into law. HB 5 is intended as a replacement of former Chapter 313, Texas Tax Code, but it contains significantly different provisions than the prior program under Chapter 313, Texas Tax Code. Under HB 5, a school district may offer a 50% abatement on taxable value for maintenance and operations property taxes for certain eligible projects, except that projects in a federally designated economic opportunity zone receive a 75% abatement. HB 5 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 HB 5. Eligible projects are limited and include manufacturing, dispatchable power generation facilities, technology research/development facilities, or critical infrastructure projects. Projects must create and maintain jobs, as well as meet certain minimum investment requirements. The District does not expect that HB 5 will have any material adverse effect on its ability to repay the Bonds or its finances or operations more generally.

## **District and Taxpayer Remedies**

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

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at \$59,562,331 million for the 2024 tax year and is adjusted annually by the State Comptroller to reflect the inflation rate.

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

## **Levy and Collection of Taxes**

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and 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" 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 Hunt County. The Appraisal District is governed by a board of directors appointed by voters of the governing bodies of various political subdivisions in Hunt County. The District's taxes are collected by the Hunt County Tax Assessor-Collector.

The District does not allow split payments of taxes.

The District does not give discounts for early payment of taxes.

The District does not participate in a TIRZ.

The District does not tax non-business personal property.

The District does not tax freeport property.

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

The District has not granted a tax abatement under the Chapter 313 Property Value Limitations.

The District grants a state mandated homestead exemption of \$100,000 for taxpayers with general homesteads.

The District has not granted the local homestead exemption of up to 20% of the market value of residence homesteads with a minimum exemption of \$5,000.

The District grants a state mandated additional exemption of \$10,000 for taxpayers who are at least 65 years of age or disabled.

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

### **Litigation Relating to the Texas Public School Finance System**

On seven occasions in the last thirty years, the Texas Supreme Court (the "Court") has issued decisions assessing the constitutionality of the Texas public school finance system (the "Finance System"). The litigation has primarily focused on whether the Finance System, as amended by the Texas Legislature (the "Legislature") from time to time (i) met the

requirements of article VII, section 1 of the Texas Constitution, which requires the Legislature to “establish and make suitable provision for the support and maintenance of an efficient system of public free schools,” or (ii) imposed a statewide ad valorem tax in violation of article VIII, section 1-e of the Texas Constitution because the statutory limit on property taxes levied by school districts for maintenance and operation purposes had allegedly denied school districts meaningful discretion in setting their tax rates. In response to the Court’s previous decisions, the Legislature enacted multiple laws that made substantive changes in the way the Finance System is funded in efforts to address the prior decisions declaring the Finance System unconstitutional.

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

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

### **Possible Effects of Changes in Law on District Bonds**

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

Although, as a matter of law, the Bonds, upon issuance and delivery, will be entitled to the protections afforded previously existing contractual obligations under the Contract Clauses, the District can make no representations or predictions concerning the effect of future legislation, or any litigation that may be associated with such legislation, on the District’s financial condition, revenues or operations. While the enactment of future legislation to address school funding in Texas could adversely affect the financial condition, revenues or operations of the District, the District does not anticipate that the security for payment of the Bonds, specifically, the District’s obligation to levy an unlimited debt service tax and any Permanent School Fund guarantee of the Bonds would be adversely affected by any such legislation. See “CURRENT PUBLIC SCHOOL FINANCE SYSTEM”.

## **CURRENT PUBLIC SCHOOL FINANCE SYSTEM**

### **Overview**

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

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

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

Prior to the 2019 Legislative Session, a school district's maximum M&O tax rate for a given tax year was determined by multiplying that school district's 2005 M&O tax rate levy by an amount equal a compression percentage set by legislative appropriation or, in the absence of legislative appropriation, by the Commissioner of Education (the "Commissioner"). This compression percentage was historically set at 66.67%, effectively setting the maximum compressed M&O tax rate for most school districts at \$1.00 per \$100 of taxable value, since most school districts in the State had a voted maximum M&O tax rate of \$1.50 per \$100 of taxable value. School districts were permitted, however, to generate additional local funds by raising their M&O tax rate up to \$0.04 above the compressed tax rate or, with voter-approval at a valid election in the school district, up to \$0.17 above the compressed tax rate (for most school districts, this equated to an M&O tax rate between \$1.04 and \$1.17 per \$100 of taxable value). School districts received additional State funds in proportion to such taxing effort.

### **2023 Legislative Session**

The regular session of the 88th Texas Legislature (the "88th Regular Session") began on January 10, 2023 and adjourned on May 29, 2023. The Texas Legislature (the "Legislature") meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Governor has called and the Legislature has concluded four special sessions during the 88th Texas Legislature (such special sessions, together with the 88th Regular Session, the "2023 Legislative Sessions").

During the 88th 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. Legislation enacted by the Legislature fully-funded the Foundation School Program for the 2024-2025 State fiscal biennium and increased the State guaranteed yield on the first \$0.08 cents of tax effort beyond a school district's Maximum Compressed Tax Rate (as defined herein) to \$126.21 per penny of tax effort per student in WADA (as defined herein) in 2024 (from \$98.56 in 2023) and \$129.52 per penny of tax effort per student in WADA in 2025. See "– State Funding for School Districts – Tier Two." The Legislature also provided for an increase in funding for the school safety allotment to \$10.00 (from \$9.72 in the prior year) per ADA (as defined herein) and \$15,000 per campus. The Legislature set aside approximately \$4,000,000,000 in additional funding for public education contingent on certain legislation passing in future special sessions. However, the Legislature did not take action on such funding in any of the called special sessions of the 88th Texas Legislature.

During the second called special session, legislation was passed that (i) reduced the Maximum Compressed Tax Rate for school districts by approximately \$0.107 for the 2023-2024 school year; (ii) increased the amount of the mandatory school district general residential homestead exemption from ad valorem taxation from \$40,000 to \$100,000 and to hold districts harmless from certain M&O and I&S tax revenue losses associated with the increase in the mandatory homestead exemption; (iii) adjusted the amount of the limitation on school district ad valorem taxes imposed on the residence homesteads of the elderly or disabled to reflect increases in exemption amounts; (iv) prohibits school districts, cities and counties from repealing or reducing an optional homestead exemption that was granted in tax year 2022 (the prohibition expires on December 31, 2027); (v) established a three-year pilot program limiting growth in the taxable assessed value of non-residence homestead property valued at \$5,000,000 or less to 20 percent (school districts are not held harmless for any negative revenue impacts associated with such limits); (vi) excepted certain appropriations to pay for ad valorem tax relief from the constitutional limitation on the rate of growth of appropriations; and (vii) expanded the size of the governing body of an appraisal district in a county with a population of more than 75,000 by adding elected directors and authorizing the Legislature to provide for a four-year term of office for a member of the board of directors of certain appraisal districts. At an election held on November 7, 2023, voters approved a State constitutional amendment effectuating the legislative changes. The legislation adopted during the second called special session reduces the amount of property taxes paid by homeowners and businesses and increases the State's share of the cost of funding public education.

During any additional called special session, the Legislature may enact laws that materially change current law as it relates to the funding of public schools, including the District. The District can make no representations or predictions regarding the scope of additional legislation that may be considered during any additional called special sessions or the potential impact of such legislation at this time.

### **Local Funding for School Districts**

A school district's M&O tax rate has 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. Formulas for the State Compression Percentage and Maximum Compressed Tax Rate (each as

described below) to compress M&O tax rates in response to year-over-year increases in property values across the State and within a school district, respectively. The discussion in this subcaption “Local Funding For School Districts” is generally intended to describe funding provisions applicable to all school districts; however, there are distinctions in the funding formulas for school districts that generate local M&O tax revenues in excess of the school districts’ funding entitlements, as further discussed under the subcaption “CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Revenue Level In Excess of Entitlement” herein.

State Compression Percentage. The “State Compression Percentage” is a statutorily-defined percentage of the rate of \$1.00 per \$100 that is used to determine a school district’s Maximum Compressed Tax Rate (described below). The State Compression Percentage is the lesser of three alternative calculations: (1) 93% or a lower percentage set by appropriation for a school year; (2) a percentage determined by formula if the estimated total taxable property value of the State (as submitted annually to the State Legislature by the State Comptroller) has increased by at least 2.5% over the prior year; and (3) the prior year State Compression Percentage. For any year, the maximum State Compression Percentage is 93%. For the State fiscal year ending in 2024, the State Compression Percentage is set at 68.80%.

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 three alternative calculations: (1) the school district’s prior year MCR; (2) a percentage determined by formula if the school district experienced a year-over-year increase in property value of at least 2.5%; or (3) the product of the State Compression Percentage for the current year multiplied by \$1.00. 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 set to 90% of the maximum 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 2023 Legislative Sessions, the Legislature took action to reduce the maximum MCR for the 2023-2024 school year, establishing \$0.6880 as the maximum rate and \$0.6192 as the floor. For the 2024-2025 school year, \$0.6855 is the maximum rate and \$0.6169 is the floor.

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

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

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

### **State Funding for School Districts**

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

The first level of funding, Tier One, is the basic level of funding guaranteed to all school districts based on a school district’s Tier One Tax Rate. Tier One funding may then be “enriched” with Tier Two funding. Tier Two provides a guaranteed entitlement for each cent of a school district’s Enrichment Tax Rate, allowing a school district 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”), Tier Two funding may not be used for the payment of debt service or capital outlay.

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

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

Tier One. Tier One funding is the basic level of funding guaranteed to a school district, consisting of a State-appropriated baseline level of funding (the “Basic Allotment”) for each student in “Average Daily Attendance” (being generally calculated as the sum of student attendance for each State-mandated day of instruction divided by the number of State-mandated days of instruction, defined herein as “ADA”). The Basic Allotment is revised downward if a school district’s Tier One Tax Rate is less than the State-determined threshold. The Basic Allotment is supplemented by additional State funds, allotted based upon the unique school district characteristics 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 (or a greater amount as may be provided by appropriation) 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 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 retention in disadvantaged or rural school districts. A school district’s total Tier One funding, divided by \$6,160, is a school district’s measure of students in “Weighted Average Daily Attendance” (“WADA”), which serves to calculate Tier Two funding.

For the 2023-2024 school year, the fast growth allotment weight is 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 \$315 million for the 2023-2024 school year and \$320 million for the 2024-2025 school year.

Tier Two. Tier Two supplements Tier One funding and provides two levels of enrichment with different guaranteed yields (i.e., Golden Pennies and Copper Pennies) depending on the school district’s Enrichment Tax Rate. Golden Pennies generate a guaranteed yield equal to the greater of (i) the local revenue per student in WADA per cent of tax effort available to a school district at the ninety-sixth (96th) percentile of wealth per student in WADA, or (ii) the Basic Allotment (or a greater amount as may be provided by appropriation) multiplied by 0.016. For the 2024-2025 State fiscal biennium, school districts are guaranteed a yield of \$126.21 per student in WADA in 2024 and \$129.52 per student in WADA in 2025 for each Golden Penny levied.

Copper Pennies generate a guaranteed yield per student in WADA equal to the school district’s Basic Allotment (or a greater amount as may be provided by appropriation) multiplied by 0.008. For the 2024-2025 State fiscal biennium, school districts are guaranteed a yield of \$49.28 per student in WADA for each Copper Penny levied. For any school year in which the guaranteed yield of Copper Pennies per student in WADA exceeds the guaranteed yield of Copper Pennies per student in WADA for the preceding school year, a school district is required to reduce its Copper Pennies levied so as to generate no more revenue per student in WADA than was available to the school district for the preceding year.

Existing Debt Allotment, Instruction Facilities Allotment, and New Instructional Facilities Allotment. The Foundation School Program also includes facilities funding components consisting of the IFA and the EDA, subject to legislative appropriation each State fiscal biennium. To the extent funded for a biennium, these programs assist school districts in funding facilities by, generally, equalizing a school district’s I&S tax effort. The IFA guarantees each awarded school district a specified amount per student (the “IFA Yield”) in State and local funds for each cent of I&S tax levied to pay the principal of and interest on eligible bonds issued to construct, acquire, renovate or improve instructional facilities. The IFA Yield has been

\$35 since this program first began in 1997. New awards of IFA are only available if appropriated funds are allocated for such purpose by the State Legislature. To receive an IFA award, in years where new IFA awards are available, a school district must apply to the 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. 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 2024-2025 State fiscal biennium, the State Legislature did not appropriate any funds for new IFA awards; however, awards previously granted in years the State Legislature did appropriate funds for new IFA awards will continue to be funded.

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

Since future-year IFA awards were not funded by the Legislature for the 2024-2025 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 2024-2025 State fiscal biennium on new bonds issued by school districts in the 2024-2025 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 from \$40,000 to \$100,000. See "— 2023 Regular and Special Legislative Sessions." Hold-harmless applies only to bonds authorized by voters prior to September 1, 2023 (the Election occurred after such time).

A school district may also qualify for a NIFA allotment, which provides assistance to school districts for operational expenses associated with opening new instructional facilities. During the 2023 Legislative Sessions, the Legislature appropriated funds in the amount of \$100,000,000 for each fiscal year of the 2024-2025 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.

Furthermore, "property-wealthy" school districts that received additional State funds under the public school finance system prior to the enactment of certain legislation passed during the 86th Texas Legislature are entitled to an equalized wealth transition grant on an annual basis through the 2023-2024 school year in an amount equal to the amount of additional revenue such school district would have received under former Texas Education Code Sections 41.002(e) through (g), as those sections existed on January 1, 2019. This grant is phased out through the 2023-2024 school year. Additionally, school districts and open-enrollment charter schools may be entitled to receive an allotment in the form of a formula transition grant, but they will not be entitled to an allotment beginning with the 2024-2025 school year. This grant is meant to ensure a smooth transition into the funding formulas enacted by the 86th Texas Legislature. If the total amount of allotments to which school districts and open-enrollment charter schools are entitled for a school year exceeds \$400 million, the Education Commissioner shall proportionately reduce each district's or school's allotment. The reduction in the amount to which a district or school is entitled may not result in an amount that is less than zero.

### **Local Revenue Level in Excess of Entitlement**

A school district that has sufficient property wealth to generate local revenues in excess of the school district's Tier One state and local entitlement and whose Copper Pennies generate local funds in excess of the school district's Tier II guarantee as previously discussed (a "Chapter 49 school district"), is subject to the local revenue reduction provisions contained in Chapter 49 of Texas Education Code, as amended ("Chapter 49"). Additionally, in years in which the amount



of State funds appropriated specifically excludes the amount necessary to provide the guaranteed yield for Golden Pennies, local revenues generated on a school district's Golden Pennies in excess of the school district's respective funding entitlement are subject to the local revenue reduction provisions of Chapter 49. To reduce local revenue, Chapter 49 school districts are generally subject to a process known as "recapture", which requires a Chapter 49 school district to exercise certain options to remit local M&O tax revenues collected in excess of the Chapter 49 school district's funding entitlements to the State (for redistribution to other school districts) or otherwise expending the respective M&O tax revenues for the benefit of students in school districts that are not Chapter 49 school districts, as described in the subcaption "Options for Local Revenue Levels in Excess of Entitlement". Chapter 49 school districts receive their allocable share of funds distributed from the constitutionally-prescribed Available School Fund, and they may continue to receive State funds for certain competitive grants and certain programs that remain outside the Foundation School Program.

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

*Options for Local Revenue Levels in Excess of Entitlement.* Under Chapter 49, a school district has six (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.

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

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

For the 2024-2025 fiscal year, the District was designated as an "excess local revenue" district by the TEA. Accordingly, the District has been required to exercise one of the wealth equalization options permitted under applicable State law. Accordingly, the District has entered into (or intends to enter into) a wealth equalization agreement with the TEA for the purchase of attendance credit for the 2024-2025 school year, for the purpose of implementing a permitted wealth equalization option.

A district's local revenue levels must be tested for each future school year and, if local revenues exceed the district's entitlements, the district must reduce its wealth per student by the exercise of one of the permitted wealth equalization options. Accordingly, if the District's local revenues should exceed its entitlements in future school years, it will be required to exercise one or more of the permitted options to reduce local revenues.

If the District were to consolidate (or consolidate its tax base for all purposes) with a district not designated as an excess local revenue 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 an annexing district (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Revenue Level In Excess Entitlement" herein).

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 maintenance and operation (“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 an M&O tax rate pursuant to the approval of the voters of the District at an election held on June 19, 1971 in accordance with the provisions of Article 2784e-1, Vernon’s Annotated Civil Statutes.

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

For the State fiscal year ending in 2025 (the 2024-2025 school year), the State Compression Percentage was set at \$0.6855 and the MCR for the District is \$0.6169 per \$100 of taxable value. For a detailed discussion of State funding for school districts, see “CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State funding for School Districts” herein.

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

### **I&S Tax Rate Limitations**

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

Section 45.0031 of the Texas Education Code, as amended, requires a school district to demonstrate to the Texas Attorney General that it has the prospective ability to pay its maximum annual debt service on a proposed issue of bonds and all previously issued bonds, other than bonds approved by voters of a school district at an election held on or before April 1, 1991 and issued before September 1, 1992 (or debt issued to refund such bonds, collectively, “exempt bonds”), from a tax levied at a rate of \$0.50 per \$100 of assessed valuation before bonds may be issued (the “50-cent Test”). In demonstrating the ability to pay debt service at a rate of \$0.50, a school district may take into account EDA and IFA allotments to the school district, which effectively reduces the school district’s local share of debt service, and may also take into account Tier One funds allotted to the school district. If a school district exercises this option, it may not adopt an I&S tax until it has credited to the school district’s I&S fund an amount equal to all State allotments provided solely for payment of debt service and any Tier One funds needed to demonstrate compliance with the 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 “new money bonds” and are subject to the 50-cent Test. The District has not utilized projected values but has utilized State assistance to satisfy the 50-cent Test.

### **Public Hearing and Voter-Approval Tax Rate**

A school district’s total tax rate is the combination of the M&O tax rate and the I&S tax rate. Generally, the highest rate at which a school district may levy taxes for any given year without holding an election to approve the tax rate is the “Voter-Approval Tax Rate”, as described below.

A school district is required to adopt its annual tax rate before the later of September 30 or the sixtieth (60th) day after the date the certified appraisal roll is received by the taxing unit, except that a tax rate that exceeds the Voter-Approval Tax Rate must be adopted not later than the seventy-first (71st) day before the next occurring November uniform election date. A school district’s failure to adopt a tax rate equal to or less than the Voter-Approval Tax Rate by September 30 or the

sixtieth (60th) day after receipt of the certified appraisal roll, will result in the tax rate for such school district for the tax year to be the lower of the “no-new-revenue tax rate” calculated for that tax year or the tax rate adopted by the school district for the preceding tax year. A school district’s failure to adopt a tax rate in excess of the Voter-Approval Tax Rate on or prior to the seventy-first (71st) day before the next occurring November uniform election date, will result in the school district adopting a tax rate equal to or less than its Voter-Approval Tax Rate by the later of September 30 or the sixtieth (60th) day after receipt of the certified appraisal roll. “No-new-revenue tax rate” means the rate that will produce the prior year’s total tax levy from the current year’s total taxable values, adjusted such that lost values are not included in the calculation of the prior year’s taxable values and new values are not included in the current year’s taxable values.

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

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

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

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

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

#### **EMPLOYEE BENEFITS, RETIREMENT PLAN AND OTHER POST-EMPLOYMENT BENEFITS**

The District contributes to the Teacher Retirement System of Texas (the “System”), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception: all risks and costs are not shared by the District but are the liability of the State of Texas. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates primarily under the provisions of the Texas Constitution and Texas Government Code, Title 8, Subtitle C. See “NOTES TO THE FINANCIAL STATEMENTS – I. Pension Plan” as set out in the audited financial statements of the District for the year ended June 30, 2024 as set forth in APPENDIX B 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 System. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under the System. See “NOTES TO

THE FINANCIAL STATEMENTS – J. Defined Other Post-Employment Benefit Plans” in the audited financial statements of the District for the year ended June 30, 2024 as set forth in APPENDIX B hereto.

Government Accounting Standards Board (“GASB”) issued Statement No. 68 *Accounting and Financial Reporting for Pensions*, which 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. Such reporting began with the District’s fiscal year ending June 30, 2015. GASB Statement No. 68 applies only to pension benefits and does not apply to other post-employment benefits or TRS-Care related liabilities. At the conclusion of the 2022-23 fiscal year, the District had a net pension liability as set forth in APPENDIX B hereto.

See primarily under the provisions of the Texas Constitution and Texas Government Code, Title 8, Subtitle C. See the audited financial statements of the District for the year ended June 30, 2024 as set forth in APPENDIX B hereto for information related to the District’s adoption of Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions and the related prior period adjustment.

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**

Under State law, the District is authorized to make investments meeting the requirements of 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 Public Funds Investment Act (Chapter 2256, Texas Government Code) (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 less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a 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.

As a school district that qualifies as an "issuer" under Chapter 1371, as amended, Texas Government Code, the District may also invest up to 15% of its monthly average fund balance (excluding bond proceeds and debt service funds and reserves) in "AA-" or better rated corporate bonds with a remaining term of three years or less. Not more than 25% of its funds invested in corporate bonds may be invested in any single issuer and its affiliates. Corporate bonds must be sold if downgraded below the required rating or placed on negative credit watch.

## **Investment Policies**

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 Board 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 Board.

### **Additional Provisions**

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

### **LEGAL MATTERS**

The District will furnish to the Underwriters 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 approving legal opinion of McCall, Parkhurst & Horton LLP, Bond Counsel, in substantially the form attached hereto as APPENDIX C. The legal fees to be paid to Bond Counsel are contingent upon the scale and delivery of the Bonds.

Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in their capacity as Bond Counsel, such firm has reviewed the information under the captions "THE BONDS" (exclusive of the subcaptions "Permanent School Fund Guarantee," "Default and Remedies," "Payment Record," and "Future Issues," as to which no opinion is expressed), "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS," "CURRENT PUBLIC SCHOOL FINANCE SYSTEM," "TAX RATE LIMITATIONS – M&O Tax Rate Limitations", "LEGAL MATTERS" (excluding the information under the subcaption "Litigation," as to which no opinion is expressed), "TAX MATTERS," "CONTINUING DISCLOSURE" (excluding the information under the subcaption "Compliance with Prior Agreements," as to which no opinion is expressed), "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," and "OTHER PERTINENT INFORMATION – Registration and Qualification of Bonds for Sale" in the Official Statement and such firm is of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions are correct as to matters of law and, with respect to the Bonds, such information fairly and accurately reflects the provisions of the Bond Order. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. 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 Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas, whose compensation is contingent on the sale and delivery of the Bonds.

Bond Counsel has been engaged by and only represents the District with respect to the issuance of the Bonds. The legal opinions to be delivered concurrently with the delivery of the Bonds expresses the professional judgment of the attorneys rendering the opinions as to the legal issues expressly addressed therein. In rendering legal opinions, the attorneys do not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of such opinions guarantee the outcome of any legal dispute that may arise from the transaction.

### **Litigation**

In the opinion of various officials of the District, except as disclosed in this Official Statement, 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.

At the time of the initial delivery of the Bonds, the District will provide the Underwriters with a certificate to the effect that no litigation of any nature has been filed or is then pending challenging the issuance of the Bonds or that affects the payment and security of the Bonds or in any other manner questioning the issuance, sale, or delivery of the Bonds.

## **TAX MATTERS**

### **Opinion**

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Bond Counsel to the Issuer, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel to the Issuer will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See Appendix C - Form of Opinion of Bond Counsel.

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

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

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

A ruling was not sought from the Internal Revenue Service by the Issuer with respect to the Bonds or the facilities financed or refinanced with the proceeds of the Bonds. Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the representations of the Issuer that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the Issuer as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

## **Federal Income Tax Accounting Treatment of Original Issue Discount**

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

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

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

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

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

### **Collateral Federal Income Tax Consequences**

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

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

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

Interest on the Bonds will be includable as an adjustment for "adjusted current earnings" to calculate the alternative minimum tax imposed on corporations by section 55 of the Code.

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



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

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

### **State, Local and Foreign Taxes**

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

### **Information Reporting and Backup Withholding**

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the 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.

## **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.

## **CONTINUING DISCLOSURE**

In the Bond Order, the District in the Bond Order has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board ("MSRB"). This information will be available to the public free of charge from the MSRB via the Electronic Municipal Market Access ("EMMA") system at [www.emma.msrb.org](http://www.emma.msrb.org), as further described below under "Availability of Information from MSRB".

### **Annual Reports**

The District will file certain updated financial information and operating data with the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement in Tables 1-19 (excluding the table marked "Estimated Overlapping Debt Statement") in Appendix A, attached hereto (the "Annual Operating Report"). The District will additionally provide financial statements of the District (the "Financial Statements") that will be (i) prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation and shall be in substantially the form included in Appendix B 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. The District will update and provide the Annual Operating Report within six months after the end of each fiscal year and the Financial Statements within 12 months of the end of each fiscal year, in each case beginning with the fiscal year ending in and after 2024. The District may provide the Financial Statements earlier, including at the time it provides its Annual Operating Report, but 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 Financial Statements becomes available.

The District's current fiscal year end is June 30. Accordingly, the District must provide the Annual Operating Report by the last day of December in each year, and the Financial Statements for the preceding fiscal year must be provided by June 30 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 Web site 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 10 business days after occurrence of the event): (1) principal and interest payment delinquencies; (2) nonpayment 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, (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 the Rule, 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 Bond 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 immediately preceding paragraph is considered to occur when any of the following occur; the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District. The term "financial obligation" used in clauses (15) and (16) of the immediately preceding paragraph means: (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) a guarantee of either (A) or (B). The term "financial obligation" shall not include municipal securities as to which a final official statement 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 via EMMA at [www.emma.msrb.org](http://www.emma.msrb.org).

#### **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 the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (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 the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule 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 the Rule. If the District amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

#### **Compliance with Prior Agreements**

During the last five years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

### **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.

### **Municipal Bond Rating**

The Bonds are expected to be rated "Aaa" by Moody's Investors Service ("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 "A1" 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.

### **Financial Advisor**

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

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

### **Audited Financial Statements**

The report of Rutherford, Taylor & Company, P.C. relating to the District's audited financial statements for the fiscal year ended June 30, 2024 is included in this Official Statement in APPENDIX B; however, Rutherford, Taylor & Company, P.C. has not performed any procedures on such financial statements since the date of such report, and has not performed any procedures on any other financial information of the District, including without limitation any of the information contained in this Official Statement.

### **Underwriting**

The Underwriters have 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 page -ii- herein, plus a [net] reoffering premium of \$\_\_\_\_\_, less an Underwriters' discount of \$\_\_\_\_\_ (and no accrued interest). The Underwriters' obligation is subject to certain conditions precedent. The Underwriters will be obligated to purchase all of the Bonds, if any of the Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

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

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the Underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the District and to persons and entities with relationships with the District, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the District (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the District. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

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

Stifel and its affiliates comprise a full service financial institution engaged in activities which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Stifel and its affiliates may have provided, and may in the future provide, a variety of these services to the Issuer and to persons and entities with relationships with the Issuer, for which they received or will receive customary fees and expenses.

In the ordinary course of these business activities, Stifel and its affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the Issuer (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Issuer.

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

## **Miscellaneous**

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

## **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.

**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.

The Order authorizing the issuance of the Bonds also authorized designated officials of the District to approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto. The Order further authorizes its use in the reoffering of the Bonds by the Underwriters.

**APPENDIX A**  
**SELECTED FINANCIAL INFORMATION REGARDING THE DISTRICT**

**TABLE 1 - ASSESSED VALUATION**

	<b>2024</b>
	<b><u>Tax Year</u></b>
Total Market Valuation <sup>(1)</sup> .....	\$ 2,820,814,799
Net Taxable Valuation before Freeze <sup>(1)</sup> .....	\$ 1,576,198,028
Net Freeze Adjusted Taxable Valuation <sup>(1)</sup> .....	\$ 1,461,514,464
<b>Exemptions/Deductions/Prorations Detail <sup>(1)</sup></b>	
	<b>Total</b>
Totally Exempt Property .....	\$ 164,173,381
Agriculture Use/Productivity .....	570,462,204
Residential Homestead .....	320,749,612
Cap Value Loss .....	125,796,338
Residential Homestead Over-65 and/or Disabled (\$10,000) .....	54,063,193
Disabled/Deceased Veterans and Survivors (up to \$ 3,000) .....	2,123,316
Pollution Control .....	3,729,833
First Responder's Surviving Spouse .....	116,381
Other/Misc .....	<u>3,402,513</u>
Total	\$ 1,244,616,771

(1) Source: Hunt County Appraisal District's Assessment Reports at Certification.

**TABLE 2 - VOTED GENERAL OBLIGATION BOND DEBT**

Outstanding Unlimited Tax Bonds (as of December 18, 2024) <sup>(1)</sup>		
GO Debt	\$	224,078,463 <sup>(4)</sup>
Total	\$	224,078,463
Less:		
Estimated Interest & Sinking Fund Balance (as of June 30, 2024) <sup>(2)</sup>	\$	7,693,881
Net General Obligation Debt	\$	216,384,582

Ratio Net General Obligation Debt to Net Taxable Valuation before Freeze - 13.73%

2024/25 Population Estimate <sup>(1)</sup>	13,030	Per Capita Actual Valuation	216,486
2024/25 Enrollment <sup>(3)</sup>	3,115	Per Capita Net Valuation	120,967
Area (Square Miles) <sup>(1)</sup>	71.07	Per Capita Actual Net General Obligation Debt	16,607

(1) Source: Municipal Advisory Council of Texas.

(2) Excludes accreted values

(3) District records

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



**TABLE 3 - ESTIMATED OVERLAPPING DEBT STATEMENT <sup>(1)</sup>**

<u>Taxing Body</u>	<u>Amount</u>	<u>As Of</u>	<u>% Overlap</u>	<u>\$ Overlap</u>
Caddo Mills Municipal Management Dist #1	\$ 19,535,000	09/30/24	100.00%	\$ 19,535,000
City of Caddo Mills	18,240,000	09/30/24	100.00%	18,240,000
City of Greenville	226,739,000	09/30/24	0.10%	226,739
Hunt County	9,665,000	09/30/24	10.22%	987,763
Hunt Memorial Hospital District	31,575,000	09/30/24	10.22%	3,226,965
City of Royse City	86,025,000	09/30/24	0.08%	68,820
Total Net Overlapping Debt <sup>(1)</sup>				\$ 42,285,287
Caddo Mills ISD <sup>(2)</sup>	\$ 224,078,463	09/30/24	100.00%	224,078,463 <sup>(2)</sup>
Total Direct (Net) and Overlapping Debt.....				\$ 266,363,750
Direct and Overlapping Debt to Net Taxable Valuation				16.90%
Direct and Overlapping Debt to Actual Total Valuation				9.44%
Per Capita Direct and Overlapping Debt				\$ 20,442

(1) Source: Municipal Advisory Council of Texas  
 (2) Includes the Bonds. Preliminary, subject to change.

**TABLE 4 - TOTAL TAX RATES OF OVERLAPPING POLITICAL ENTITIES <sup>(1)</sup>**

<u>Taxing Body</u>	<u>Tax Rate</u>	<u>Tax Year</u>
City of Caddo Mills	\$ 0.4850	2024
Hunt County	0.3233	2024
Caddo Mills Municipal Management Dist #1	0.3400	2024
Hunt Memorial Hospital District	0.2004	2024

(1) Source: Municipal Advisory Council of Texas

**TABLE 4A - INVESTMENT DATA**

As of June 30, 2024 <sup>(1)</sup>, the District's investments were in the following categories:

<u>Description</u>	<u>% of Funds Invested</u>	<u>Book Value</u>	<u>Market Value</u>
Cash Deposits	60.08%	\$ 52,131,799	\$ 52,131,799
Lonestar	39.91%	34,628,253	34,628,253
TexSTAR	0.02%	16,185	16,185
		\$ 86,776,237	\$ 86,776,237

<sup>(1)</sup> District records.

**TABLE 5 - PROPERTY TAX RATES AND COLLECTIONS**

Tax Year	Net		% Collections within Fiscal Year		
	Taxable Valuation <sup>(1)</sup>	Tax Rate	Current <sup>(2)</sup>	Current & Delinquent <sup>(2)</sup>	FYE
2019	626,944,426	1.3534	97.26	98.91	06/30/20 <sup>(3)</sup>
2020	715,625,446	1.2566	97.85	100.16	06/30/21 <sup>(3)</sup>
2021	887,267,091	1.4603	97.77	99.07	06/30/22 <sup>(3)</sup>
2022	1,178,862,077	1.4429	97.64	98.49	06/30/23 <sup>(3)</sup>
2023	1,370,974,241	1.2575	98.39	100.27	06/30/24 <sup>(3)</sup>

Five Year Average..... 97.78 99.38

Tax Year	Net		% Collections within Fiscal Year		
	Taxable Valuation <sup>(1)</sup>	Tax Rate	Current <sup>(2)</sup>	Current & Delinquent <sup>(2)</sup>	FYE
2024	\$ 1,576,198,028	\$ 1.2552	(in process)		06/30/25 <sup>(4)</sup>

(1) Source: Hunt Central Appraisal Districts' Assessment Report as of Certification - includes frozen values.

(2) Excludes Penalty and Interest.

(3) Source: Audited financial statements and District records.

(4) Unaudited.

**TABLE 6 - TAX RATE DISTRIBUTION**

<u>Fiscal Year</u>	<u>2025 <sup>(1)</sup></u>	<u>2024 <sup>(1)</sup></u>	<u>2023 <sup>(1)</sup></u>	<u>2022 <sup>(1)</sup></u>	<u>2021 <sup>(1)</sup></u>	<u>2020 <sup>(1)</sup></u>
Local Maintenance	\$ 0.7552	\$ 0.7575	\$ 0.9429	\$ 0.9603	\$ 0.9716	\$ 1.0684
Interest & Sinking	0.5000	0.5000	0.5000	0.5000	0.2850	0.2850
<b>Total</b>	<b>\$ 1.2552</b>	<b>\$ 1.2575</b>	<b>\$ 1.4429</b>	<b>\$ 1.4603</b>	<b>\$ 1.2566</b>	<b>\$ 1.3534</b>

(1) The decline in the District's Maintenance & Operations Tax from the 2018/19 fiscal year to the fiscal years thereafter is a function of House Bill 3 and House Bill 625 adopted by the Texas Legislature in the 2019 and 2021 Legislative sessions, respectively.

**TABLE 7 - DEBT HISTORY**

<u>Fiscal Year</u>	<u>Principal Outstanding</u>	<u>Ratio to Taxable Value</u>
2019/20	\$75,738,463	12.08%
2020/21	74,943,463	10.47%
2021/22	112,718,462	12.70%
2022/23	113,766,463	9.65%
2023/24	112,161,463	8.18%
2024/25	224,078,463	14.22% <sup>(1)</sup>

Source: District records and Municipal Advisory Council of Texas

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

TABLE 8 - PRINCIPAL TAXPAYERS & ASSESSED VALUATIONS

2024 PRINCIPAL TAXPAYERS & THEIR ASSESSED VALUATIONS

<u>Name of Taxpayer</u>	<u>Type of Property</u>	<u>Assessed Valuation</u>	<u>% A.V.</u>
Explorer Pipeline Co.	Oil & Gas Pipeline	\$ 54,222,300	3.71%
D R Horton - Texas LTD	Home Construction	17,494,839	1.20%
Oak National Development LLC	Home Construction	11,908,386	0.81%
Oncor Electric Delivery Co	Electric Utility/Power Plant	11,897,100	0.81%
Polara Enterprises	Electronics	11,821,320	0.81%
Oneok Sterling III Pipeline	Oil & Gas Pipeline	10,341,080	0.71%
Castlerock Storage #3 LLC	Wholesale Supplier/Distribution Center	10,000,000	0.68%
R&M Terminals	Oil & Gas Pipeline	9,416,190	0.64%
Fow Greenville LLC	Wholesale Supplier/Distribution Center	6,462,370	0.44%
Hixon Lumber Sales Inc.	Lumber Processing	5,617,770	0.38%
Total.....		<u>\$ 149,181,355</u>	10.21%

2023 PRINCIPAL TAXPAYERS & THEIR ASSESSED VALUATIONS

<u>Name of Taxpayer</u>	<u>Type of Property</u>	<u>Assessed Valuation</u>	<u>% A.V.</u>
Explorer Pipeline Co.	Oil & Gas Pipeline	\$ 53,560,150	3.66%
D.R. Horton - Texas Ltd	Home Construction	18,820,979	1.29%
Castlerock Storage #3 LLC	Wholesale Supplier/Distribution Center	12,078,470	0.83%
ONEOK Sterling III Pipeline LLC	Oil & Gas Pipeline	10,599,340	0.73%
R&M Terminals	Oil & Gas Terminal	9,787,240	0.67%
Polara Enterprises	Electronics	8,294,360	0.57%
Oncor Electric Delivery Co.	Utility	7,783,540	0.53%
FOW Greenville LLC	Wholesale Supplier/Distribution Center	6,182,410	0.42%
Hixon Lumber Sales Inc.	Lumber Processing	5,807,020	0.40%
Riverside East Homebuilders Ltd	Home Construction	5,067,900	0.35%
Total.....		<u>\$ 137,981,409</u>	9.44%

2022 PRINCIPAL TAXPAYERS & THEIR ASSESSED VALUATIONS

<u>Name of Taxpayer</u>	<u>Type of Property</u>	<u>Assessed Valuation</u>	<u>% A.V.</u>
Explorer Pipeline Co.	Oil & Gas Pipeline	\$ 20,216,760	1.38%
D R Horton - Texas LTD	Home Construction	12,795,300	0.88%
Castlerock Storage #3 LLC	Wholesale Supplier/Distribution Center	10,249,880	0.70%
R&M Terminals	Oil & Gas Pipeline	7,178,950	0.49%
Fow Greenville LLC	Wholesale Supplier/Distribution Center	6,462,370	0.44%
Polara Enterprises	Electronics	6,133,460	0.42%
Hixon Lumber Sales Inc.	Lumber Processing	5,617,770	0.38%
Premium Supply LTD	Wholesale Supplier/Distribution Center	4,756,080	0.33%
QT Fuel Inc	Wholesale Supplier/Distribution Center	4,560,760	0.31%
Oncor Electric Delivery Co	Electric Utility/Power Plant	4,481,580	0.31%
Total.....		<u>\$ 82,452,910</u>	5.64%

2021 PRINCIPAL TAXPAYERS & THEIR ASSESSED VALUATIONS

<u>Name of Taxpayer</u>	<u>Type of Property</u>	<u>Assessed Valuation</u>	<u>% A.V.</u>
D R Horton - Texas LTD	Home Construction	\$ 18,566,850	1.27%
Explorer Pipeline Co.	Oil & Gas Pipeline	12,343,740	0.84%
R&M Terminals	Oil & Gas Pipeline	7,386,910	0.51%
Polara Enterprises	Electronics	5,679,610	0.39%
Oncor Electric Delivery Co.	Electric Utility/Power Plant	4,115,090	0.28%
Kinder Morgan Texas Pipeline	Oil & Gas Pipeline	4,095,000	0.28%
Allen National Property LLC	Wholesale Supplier/Distribution Center	3,967,250	0.27%
ONEOK Sterling III Pipeline LLC	Oil & Gas Pipeline	3,759,150	0.26%
Hixon Lumber Sales Inc.	Lumber Processing	3,440,550	0.24%
Motiva Enterprise LLC	Oil & Gas Refinery	3,127,970	0.21%
Total.....		<u>\$ 66,482,120</u>	4.55%

2020 PRINCIPAL TAXPAYERS & THEIR ASSESSED VALUATIONS

<u>Name of Taxpayer</u>	<u>Type of Property</u>	<u>Assessed Valuation</u>	<u>% A.V.</u>
D R Horton - Texas LTD	Home Construction	\$ 14,877,570	2.31%
Explorer Pipeline Co.	Oil & Gas Pipeline	11,225,800	1.74%
Sunoco Partners Marketing & Terminals	Oil & Gas Pipeline	7,984,730	1.24%
Polara Enterprises	Electronics	5,736,890	0.89%
Hixon Lumber Sales Inc.	Lumber Processing	5,685,229	0.88%
Kinder Morgan Texas Pipeline	Oil & Gas Pipeline	4,129,990	0.64%
Oncor Electric Delivery Co.	Electric Utility/Power Plant	4,018,250	0.62%
Allen National Property LLC	Wholesale Supplier/Distribution Center	3,992,500	0.62%
Motiva Enterprise LLC	Oil & Gas Refinery	3,127,970	0.49%
ONEOK Sterling III Pipeline LLC	Oil & Gas Pipeline	2,947,970	0.46%
Total.....		<u>\$ 63,726,899</u>	9.89%

Source: Hunt County Appraisal District & District Records

**TABLE 9 - CLASSIFICATION OF ASSESSED VALUATION BY USE CATEGORY**

<u>Property Use Category</u>	<u>Total Assessed Valuation for Tax Years <sup>(1)</sup></u>				
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Single-Family Residential	\$ 1,113,663,873	\$ 946,988,180	\$ 724,112,815	\$ 469,187,405	\$ 339,557,544
Multi-Family Residential	5,649,660	5,464,138	5,124,290	3,936,873	3,729,096
Vacant Lots/Tracts	42,276,812	27,877,925	19,647,598	16,052,597	23,003,345
Acreage (Land Only)	584,073,790	547,690,442	407,096,881	228,164,866	203,147,948
Farm and Ranch Improvements	531,132,620	484,945,982	404,415,712	311,705,901	269,972,959
Commercial and Industrial	150,346,014	134,611,011	107,166,481	67,515,606	59,291,996
Inventory	11,571,980	17,256,119	7,433,330	12,421,530	5,632,916
Business, Tangible	143,333,581	136,793,489	110,867,052	82,251,724	78,171,006
Other, Tangible	5,443,080	6,191,821	5,547,870	5,088,826	4,139,198
Totally Exempt Property	165,942,659		99,352,408	75,766,776	74,338,666
Utilities	67,380,730	61,912,910	21,939,061	20,195,210	20,015,310
<b>Total Assessed Market Valuation</b>	<b>\$ 2,820,814,799</b>	<b>\$ 2,369,732,017</b>	<b>\$ 1,912,703,498</b>	<b>\$ 1,292,287,314</b>	<b>\$ 1,080,999,984</b>

Less Adjustments:

Residential Homestead	\$ 320,749,612	\$ 273,677,548	\$ 101,588,472	\$ 52,956,214	\$ 50,392,928
Cap Value Loss	125,796,338	150,349,739	105,607,900	33,079,522	23,708,490
Residential Homestead Over-65	54,063,193	8,600,530	28,984,511	21,793,165	8,943,997
Disabled Persons	510,000	440,614	1,664,134	452,567	558,619
Disabled/Deceased Veterans and Survivors	1,613,316	27,826,990	-	1,095,659	11,689,269
Pollution Control	3,729,833	3,595,647	3,214,715	1,653,190	1,662,400
Productivity Loss	570,462,204	532,925,855	392,882,854	217,757,140	193,817,247
First Responder's Surviving Spouse	116,381	96,710	141,511	140,010	125,380
Totally Exempt Property	164,173,381	1,244,152	99,114,783	75,557,486	74,338,666
Other	3,402,513	-	642,541	535,270	137,542
<b>Total Exemptions</b>	<b>\$ 1,244,616,771</b>	<b>\$ 998,757,785</b>	<b>\$ 733,841,421</b>	<b>\$ 405,020,223</b>	<b>\$ 365,236,996</b>

**Net Taxable Valuation Before Freeze <sup>(2)</sup>** \$ 1,576,198,028 \$ 1,370,974,232 \$ 1,178,862,077 \$ 887,267,091 \$ 715,762,988

(1) Source: Hunt Central Appraisal Districts' Assessment Report as of Certification.

(2) Includes Frozen Values.

**TABLE 10 - PERCENTAGE TOTAL ASSESSED VALUATION BY CATEGORY**

<u>Property Use Category</u>	<u>Percent of Total Assessed Valuation for Tax Years</u>				
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Single-Family Residential	39.48%	39.96%	37.86%	36.31%	31.41%
Multi-Family Residential	0.20%	0.23%	0.27%	0.30%	0.34%
Vacant Lots/Tracts	1.50%	1.18%	1.03%	1.24%	2.13%
Acreage (Land Only)	20.71%	23.11%	21.28%	17.66%	18.79%
Farm and Ranch Improvements	18.83%	20.46%	21.14%	24.12%	24.97%
Commercial and Industrial	5.33%	5.68%	5.60%	5.22%	5.48%
Inventory	0.41%	0.73%	0.39%	0.96%	0.52%
Business, Tangible	5.08%	5.77%	5.80%	6.36%	7.23%
Other, Tangible	0.19%	0.26%	0.29%	0.39%	0.38%
Totally Exempt Property	5.88%	0.00%	5.19%	5.86%	6.88%
Utilities	2.39%	2.61%	1.15%	1.56%	1.85%
	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

Note: Totals may not equal 100% due to rounding.

**TABLE 11 - PRO FORMA OF UNLIMITED TAX DEBT SERVICE REQUIREMENTS<sup>(1)</sup>**

Fiscal Year Ended 6/30	Existing Debt Service <sup>(1)</sup>			The Bonds <sup>(2)</sup>		Total Debt Service Requirements <sup>(2)</sup>
	Principal	Interest	Total	Principal	Interest	
2025	\$ 1,730,000	\$ 6,949,631	\$ 8,679,631	\$ -	\$ 277,083	\$ 8,956,715
2026	2,410,000	6,899,144	9,309,144	-	1,750,000	11,059,144
2027	2,909,450	7,004,093	9,913,544	-	1,750,000	11,663,544
2028	3,045,896	6,882,923	9,928,819	-	1,750,000	11,678,819
2029	3,198,016	6,744,578	9,942,594	-	1,750,000	11,692,594
2030	3,336,346	6,613,273	9,949,619	585,000	1,735,375	12,269,994
2031	3,093,896	6,866,373	9,960,269	615,000	1,705,375	12,280,644
2032	3,265,480	6,735,589	10,001,069	650,000	1,673,750	12,324,819
2033	3,373,353	6,636,441	10,009,794	680,000	1,640,500	12,330,294
2034	4,076,026	5,943,818	10,019,844	715,000	1,605,625	12,340,469
2035	4,365,000	5,663,269	10,028,269	755,000	1,568,875	12,352,144
2036	4,555,000	5,478,544	10,033,544	795,000	1,530,125	12,358,669
2037	4,295,000	5,751,431	10,046,431	835,000	1,489,375	12,370,806
2038	4,255,000	5,800,106	10,055,106	875,000	1,446,625	12,376,731
2039	4,790,000	5,268,106	10,058,106	920,000	1,401,750	12,379,856
2040	5,340,000	4,723,319	10,063,319	970,000	1,354,500	12,387,819
2041	5,570,000	4,499,019	10,069,019	1,020,000	1,304,750	12,393,769
2042	5,820,000	4,264,019	10,084,019	1,070,000	1,252,500	12,406,519
2043	6,080,000	4,015,769	10,095,769	1,125,000	1,197,625	12,418,394
2044	6,340,000	3,769,844	10,109,844	1,185,000	1,139,875	12,434,719
2045	6,585,000	3,548,538	10,133,538	1,245,000	1,079,125	12,457,663
2046	6,850,000	3,318,888	10,168,888	1,305,000	1,015,375	12,489,263
2047	7,105,000	3,098,563	10,203,563	1,375,000	948,375	12,526,938
2048	7,340,000	2,885,581	10,225,581	1,445,000	877,875	12,548,456
2049	7,585,000	2,661,888	10,246,888	1,520,000	803,750	12,570,638
2050	7,840,000	2,425,813	10,265,813	1,595,000	725,875	12,586,688
2051	8,110,000	2,180,625	10,290,625	1,680,000	644,000	12,614,625
2052	8,395,000	1,925,850	10,320,850	1,765,000	557,875	12,643,725
2053	8,735,000	1,621,850	10,356,850	1,855,000	467,375	12,679,225
2054	9,110,000	1,258,675	10,368,675	1,950,000	372,250	12,690,925
2055	9,470,000	918,788	10,388,788	2,050,000	272,250	12,711,038
2056	9,795,000	604,000	10,399,000	2,155,000	167,125	12,721,125
2057	10,310,000	277,525	10,587,525	2,265,000	56,625	12,909,150
<b>TOTAL</b>	<b>\$ 189,078,463</b>	<b>\$ 143,235,869</b>	<b>\$ 332,314,331</b>	<b>\$ 35,000,000</b>	<b>\$ 37,311,583</b>	<b>\$ 404,625,915</b>

(1) Source is Municipal Advisory Council of Texas TMR Report.

(2) Preliminary, Subject to change.

**TABLE 12 - INTEREST AND SINKING FUND BUDGET PROJECTION <sup>(1)</sup>**

Interest & Sinking Fund Balance, 6/30/24 (Estimated)		<b>\$ 7,693,881</b>
Estimated Tax Supported Debt Service Requirements for FY Ended 2025	\$ 8,956,715	
Projected Interest & Sinking Fund Local Revenue	\$ 7,307,572	
Capitalized Interest	\$ 2,760,000	
Debt Subsidy from Texas Education Agency	\$ 899,000	
Transfers in/(Out)	\$ -	
<b>Projected Interest &amp; Sinking Fund Balance, 6/30/2025 (Ending)</b>		<b>\$ 10,966,572</b>
Net Increase/(Decrease) in Fund Balance		\$ 3,272,691

<sup>(1)</sup> Source: District records.

**TABLE 13 - AUTHORIZED BUT UNISSUED BONDS <sup>(1)</sup>**

Proposition	Amount Authorized	Amount Previously Authorized	The Bonds	Authorized, But Unissued
A	\$ 240,000,000	\$ 65,000,000	\$ -	\$ 175,000,000
B	\$ 50,000,000	\$ 15,000,000	\$ 35,000,000	\$ -

(1) Includes the Bonds. Preliminary, Subject to change.

**TABLE 14 - TAX ADEQUACY WITH RESPECT TO THE DISTRICT'S OUTSTANDING BONDS**

Maximum P & I Requirements (2056/57) <sup>(1)</sup>	\$ 12,909,150
Estimated Tier 1 Pledge	5,185,780
\$ 0.50 Tax rate on 2024 Certified Taxable Assessed Valuation at 98% collection and Tier 1 Pledge produces	\$ 12,909,150
Average P & I Requirements <sup>(1)</sup>	\$ 12,261,391
Estimated Tier 1 Pledge	4,538,021
\$ 0.50 Tax rate on 2024 Certified Taxable Assessed Valuation at 98% collection and Tier 1 Pledge produces	\$ 12,261,391

**TABLE 15 - LIMITED TAX DEBT SERVICE REQUIREMENTS <sup>(1)</sup>**

Fiscal Year	Principal	Interest	Total Debt Service
2025	\$ 110,000	\$ 20,775	\$ 130,775
2026	113,000	17,809	130,809
2027	116,000	14,763	130,763
2028	119,000	11,638	130,638
2029	122,000	8,432	130,432
2030	126,000	5,134	131,134
2031	130,000	1,729	131,729
Total	\$ 836,000	\$ 80,279	\$ 916,279

<sup>(1)</sup> Payable from the District's M&O tax rate.

**TABLE 16 - TAX ADEQUACY WITH RESPECT TO LIMITED TAX DEBT SERVICE REQUIREMENTS**

Year 2024/25 P&I Requirements	\$ 130,775
0.0092 Tax rate on 2024 Certified Taxable Assesed Valuation at 98% collection produces	\$ 131,770
Maximum (2030/31) P&I Requirements	\$ 131,729
0.0092 Tax rate on 2024 Certified Taxable Assesed Valuation at 98% collection produces	\$ 131,770

TABLE 17 - COMBINED GENERAL FUND BALANCE SHEET

	Fiscal Year Ending June 30,				
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>Assets:</b>					
Cash and Temporary Investments	\$ 8,164,018	\$ 6,984,635	\$ 8,173,926	\$ 5,902,955	\$ 5,206,773
Receivables:					
Property Taxes	414,942	453,025	371,534	411,576	347,564
Due from other governments	7,129,817	5,808,625	4,544,665	3,768,297	3,035,889
Other Receivables	13,780	(473)	1,125	289	734
Due from other funds	-	984,300	-	-	-
Allowance for uncollectible taxes	-	-	-	-	-
Accrued Interest	-	-	-	-	-
Inventories, at cost	5,349	846	1,982	4,032	1,909
Prepaid Assets	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 15,727,906</b>	<b>\$ 14,230,958</b>	<b>\$ 13,093,232</b>	<b>\$ 10,087,149</b>	<b>\$ 8,592,869</b>
Deferred inflows of resources:					
Deferred revenue - property taxes	\$ 414,942	\$ 453,025	\$ 371,534	\$ 411,576	\$ 347,564
<b>Liabilities, Deferred Inflows, and Fund Balances:</b>					
Liabilities:					
Accounts Payable	\$ 61,405	\$ 34,170	\$ 27,568	\$ 184,784	\$ 106,708
Payroll deductions and withholdings payable	6,471	553	3,769	106	13,328
Accrued wages payable	2,429,941	1,901,895	1,565,509	1,402,376	1,236,158
Due to other funds	-	-	-	-	-
Due to other governments	-	-	-	-	71
Due to student and employee groups	-	-	-	-	-
Accrued Expenditures	141,996	105,467	87,522	83,856	73,230
Deferred Revenue	-	-	-	-	-
<b>Total Liabilities</b>	<b>\$ 2,639,813</b>	<b>\$ 2,042,085</b>	<b>\$ 1,684,368</b>	<b>\$ 1,671,122</b>	<b>\$ 1,429,495</b>
<b>Fund Equity:</b>					
Non-Spendable:					
Inventories	\$ 19,129	\$ 846	\$ 1,982	\$ 4,032	\$ 1,909
Prepaid items	-	-	-	-	-
Committed:					
Construction	2,324,498	2,324,498	2,324,498	2,324,498	2,324,498
Assigned:					
Other purposes	1,010,500	-	482,461	-	-
Unassigned fund balance	9,319,024	9,410,504	8,228,389	5,675,921	4,489,403
<b>Total Fund Equity</b>	<b>\$ 12,673,151</b>	<b>\$ 11,735,848</b>	<b>\$ 11,037,330</b>	<b>\$ 8,004,451</b>	<b>\$ 6,815,810</b>
<b>Total Liabilities &amp; Fund Equity</b>	<b>\$ 15,727,906</b>	<b>\$ 14,230,958</b>	<b>\$ 13,093,232</b>	<b>\$ 10,087,149</b>	<b>\$ 8,592,869</b>

Source: District's Audited Financial Statements

**TABLE 18 - COMPARATIVE STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES <sup>(1)</sup>**

	Fiscal Year Ending June 30,				
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>Revenues:</b>					
Local and Intermediate Sources	\$ 10,481,365	\$ 11,270,867	\$ 8,692,849	\$ 7,198,277	\$ 6,977,705
State Sources	22,927,296	16,425,061	14,843,572	13,747,139	11,380,744
Federal Sources	167,032	307,938	531,476	80,446	106,297
<b>Total Revenues</b>	<b>\$ 33,575,693</b>	<b>\$ 28,003,866</b>	<b>\$ 24,067,897</b>	<b>\$ 21,025,862</b>	<b>\$ 18,464,746</b>
<b>Expenditures:</b>					
Current:					
Instruction	\$ 19,391,782	\$ 14,973,040	\$ 11,282,516	\$ 10,346,199	\$ 8,572,864
Instructional Resources & Media	428,691	415,953	380,639	384,136	320,640
Curriculum & Instructional Staff Development	581,578	602,019	555,064	468,426	152,098
Instructional & School Leadership	314,068	258,085	1,500,836	1,337,199	1,216,863
Guidance & Counseling	1,942,055	1,782,442	735,392	402,389	278,490
Social Work Services	795,786	662,175	-	-	-
Health Services	310,468	259,174	229,011	237,124	145,326
Student Transportation	1,366,341	1,403,902	622,475	804,051	729,283
Food Services	-	-	-	27,568	24,669
Co-Curricular/ Extracurricular Activities	1,769,523	1,572,507	1,489,909	1,301,208	1,063,825
General Administration	1,538,262	1,439,336	1,200,435	1,024,878	712,462
Facility Maintenance & Operations	3,109,381	2,957,865	2,151,647	2,602,905	1,951,957
Security and Monitoring Services	366,415	352,182	109,998	127,450	198,590
Data Processing Services	136,135	129,186	122,499	153,603	79,991
Debt Services	337,870	278,263	291,644	131,947	16,638
Facilities Acquisition and Construction	-	141,396	209,828	463,932	783,829
Intergovernmental:					
Contracted Instructional Services Between Schools	-	-	-	-	-
Payments to Shared Service Arrangements	22,394	28,093	31,086	221,503	210,861
Payments Related to Juvenile Justice Alternative Edu Prog	-	-	-	-	-
Other Intergovernmental Charges	324,908	253,879	182,814	164,322	153,058
<b>Total Expenditures</b>	<b>\$ 32,735,657</b>	<b>\$ 27,509,497</b>	<b>\$ 21,095,793</b>	<b>\$ 20,198,840</b>	<b>\$ 16,611,444</b>
Excess (Deficiency) of revenues over (under) expenditures	\$ 840,036	\$ 494,369	\$ 2,972,104	\$ 827,022	\$ 1,853,302
<b>Other Resources and (Uses):</b>					
Transfers Out	\$ -	\$ -	\$ -	\$ (52,991)	\$ (74,255)
Transfers In	97,267	204,148	822	400,328	-
Proceeds from Sale of Property or Capital Assets	-	-	-	14,282	5,100
Issuance of Non-Current Debt	-	-	59,953	-	-
<b>Total Other Resources (Uses)</b>	<b>\$ 97,267</b>	<b>\$ 204,148</b>	<b>\$ 60,775</b>	<b>\$ 361,619</b>	<b>\$ (69,155)</b>
Net change in Fund Balances	\$ 937,303	\$ 698,517	\$ 3,032,879	\$ 1,188,641	\$ 1,784,147
Beginning Fund Balance	\$ 11,735,848	\$ 11,037,331	\$ 8,004,452	\$ 6,815,811	\$ 5,031,664
<b>Ending Fund Balance</b>	<b>\$ 12,673,151</b>	<b>\$ 11,735,848</b>	<b>\$ 11,037,331</b>	<b>\$ 8,004,452</b>	<b>\$ 6,815,811</b>

Source: District's Audited Financial Statements

<sup>(1)</sup> The District estimates its fund balance will be approximately \$12,673,151 as of June 30, 2024.



TABLE 19 - CHANGE IN NET POSITION

	Fiscal Year Ending June 30,				
	2024	2023	2022	2021	2020
<b>Revenues:</b>					
<b>Program Revenues</b>					
Charges for Services	\$ 1,232,635	\$ 1,055,516	\$ 700,276	\$ 835,924	\$ 501,668
Operating Grants and Contributions	4,559,472	3,931,589	3,977,329	2,190,826	2,951,890
<b>Total Program Revenues</b>	<b>\$ 5,792,107</b>	<b>\$ 4,987,105</b>	<b>\$ 4,677,605</b>	<b>\$ 3,026,750</b>	<b>\$ 3,453,558</b>
<b>General Revenues</b>					
M&O Taxes	\$ 9,519,414	\$ 10,575,975	\$ 8,130,830	\$ 8,740,443	\$ 6,491,310
Debt Service Taxes	6,283,904	5,592,126	4,214,973	12,693,135	1,731,583
Investment Earnings	4,663,698	972,096	174,280	107,276	138,635
Grants and Contributions - Not Restricted	21,274,337	15,177,679	13,845,334	2,190,826	10,446,409
Miscellaneous	30,768	22,578	12,375	27,216	244,731
<b>Total General Revenues</b>	<b>\$ 41,772,121</b>	<b>\$ 32,340,454</b>	<b>\$ 26,377,792</b>	<b>\$ 23,758,896</b>	<b>\$ 19,052,668</b>
<b>Total Revenues</b>	<b>\$ 47,564,228</b>	<b>\$ 37,327,559</b>	<b>\$ 31,055,397</b>	<b>\$ 26,785,646</b>	<b>\$ 22,506,226</b>
<b>Expenditures:</b>					
Instruction	\$ 22,087,750	\$ 16,656,381	\$ 12,037,876	\$ 11,701,133	\$ 10,692,859
Instructional Resources & Media	740,356	517,390	395,163	441,569	395,172
Curriculum & Staff Development	611,274	591,352	520,282	486,665	181,760
Instructional Leadership	314,881	292,422	176,325	20,382	201,458
School Leadership	2,103,406	1,810,019	1,322,336	1,410,608	1,269,771
Guidance & Counseling	1,293,298	965,712	924,322	416,278	312,192
Health Services	331,818	257,699	214,736	246,393	167,267
Student Transportation	1,182,777	1,408,513	797,263	649,365	576,876
Food Services	1,742,683	1,478,328	1,211,645	909,759	882,444
Co-Curricular/ Extracurricular Activities	2,410,771	1,877,441	1,764,394	1,666,363	1,327,426
General Administration	1,682,466	1,497,826	1,213,568	1,128,369	924,181
Facility Maintenance & Operations	3,303,667	2,885,296	2,139,579	2,621,178	2,018,594
Security and Monitoring Services	566,037	439,654	109,913	127,450	161,268
Data Processing Services	138,883	124,818	367,847	157,027	108,848
Debt Services	5,904,726	3,404,409	3,385,194	2,055,432	1,169,974
Facilities Acquisition and Construction	1,720,354	3,216,067	32,807	235,770	8,394
Payments to Shared Service Arrangements	22,394	28,093	36,166	226,583	215,351
Other Intergovernmental Charges	324,908	253,879	182,814	164,322	153,058
<b>Total Expenditures</b>	<b>\$ 46,482,449</b>	<b>\$ 37,705,299</b>	<b>\$ 26,832,230</b>	<b>\$ 24,664,646</b>	<b>\$ 20,766,893</b>
Increase/(Decrease) in Net Position	\$ 1,081,779	\$ (377,740)	\$ 4,223,167	\$ (69,826)	\$ 1,739,333
Beginning Net Position	\$ 4,102,622	\$ 4,512,940	\$ 261,175	\$ 331,001	\$ (1,408,333)
Prior Period Adjustment	\$ (1,011)	\$ (32,578)	\$ 28,598	\$ -	\$ -
<b>Ending Net Position</b>	<b>\$ 5,183,390</b>	<b>\$ 4,102,622</b>	<b>\$ 4,512,940</b>	<b>\$ 261,175</b>	<b>\$ 331,001</b>

Source: District's Audited Financial Statements

**APPENDIX B**  
**AUDITED FINANCIAL STATEMENTS**

The information contained in this appendix consists of the Caddo Mills Independent School District Audited Financial Statements (the "Report") for the fiscal year ended June 30, 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.

**CADDO MILLS INDEPENDENT  
SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2024**

**RUTHERFORD, TAYLOR & COMPANY, P.C.**

*Certified Public Accountants*

3500 Joe Ramsey Blvd.

Greenville, Texas 75401

(903) 455-6252

CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2024

**TABLE OF CONTENTS**

	<u>Page</u>	<u>Exhibits</u>
<b>INTRODUCTORY SECTION</b>		
Certificate of Board.....	3	
<b>FINANCIAL SECTION</b>		
<u>Independent Auditor's Reports:</u>		
Report on Basic Financial Statements .....	5	
Report on Internal Controls and Compliance ( <i>Government Auditing Standards</i> ).....	8	
Report on Internal Control over Compliance in Accordance with Uniform Guidance .....	10	
Schedule of Findings and Questioned Costs .....	12	
Management's Discussion and Analysis (Required Supplementary Information) .....	15	
<u>Basic Financial Statements:</u>		
<u>Government-wide Financial Statements:</u>		
Statement of Net Assets.....	24	A-1
Statement of Activities .....	25	B-1
<u>Fund Financial Statements:</u>		
Balance Sheet – Governmental Funds.....	26	C-1
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Assets .....	27	C-2
Statement of Revenues, Expenditures and Changes in		
Fund Balances of Governmental Funds .....	28	C-3
Reconciliation of the Statement of Revenues, Expenditures and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities .....	29	C-4
Statement of Net Assets – Proprietary Funds .....	30	D-1
Statement of Revenues, Expenses and Changes in		
Fund Net Assets – Proprietary Funds .....	31	D-2
Statement of Cash Flows – Proprietary Funds.....	32	D-3
Statement of Fiduciary Net Assets – Fiduciary Funds.....	33	E-1
Statement of Change in Fiduciary Net Position – Fiduciary Funds .....	34	E-2
Notes to the Basic Financial Statements.....	35	
<u>Required Supplementary Information:</u>		
Budgetary Comparison Schedule – General Fund.....	62	G-1
Schedule of District's Proportionate Share of the Net Pension Liability .....	63	G-2
Schedule of District Pension Contributions .....	64	G-3
Schedule of District's Proportionate Share of the OPEB Liability .....	65	G-4
Schedule of District OPEB Contributions .....	66	G-5
Notes to Required Supplementary Information .....	67	
<u>Other Information Section:</u>		
Schedule of Delinquent Taxes Receivable.....	69	J-1
Budgetary Comparison Schedules Required by the Texas Education Agency:		
School Breakfast and National School Lunch Program.....	70	J-3
Debt Service Fund.....	71	J-4
Schedule of Required Responses to Selected School FIRST Indicators .....	72	J-5
Schedule of Required Responses to State Mandated Program Requirements .....	73	J-6
<b>FEDERAL AWARDS SECTION</b>		
Schedule of Expenditures of Federal Awards .....	75	K-1
Notes to Schedule of Expenditures of Federal Awards .....	76	K-2

**CERTIFICATE OF BOARD**

Caddo Mills Independent School District  
Name of School District

Hunt  
County

116-901  
Co.-Dist. Number

We, the undersigned, certify that the attached auditor's report of the above named school district was reviewed and  **approved**/  **disapproved** for the year ended June 30, 2024, at a meeting of the board of school trustees of such school district on October 21, 2024

Dane Soyars  
Signature of Board Secretary

Matt Sweeney  
Signature of Board President

If the auditor's report was checked above as disapproved, the reasons(s) therefore is/are (attach list if necessary):

## FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

---

Members of the Board  
Caddo Mills Independent School District

**Report on the Financial Statements**

***Opinions***

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Caddo Mills Independent School District as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 judgement 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 judgement 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 including examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

**Required Supplementary Information**

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

**Supplementary Information**

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



**Other Information**

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



October 4, 2024  
Greenville, Texas

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

---

Members of the Board  
Caddo Mills Independent School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Caddo Mills Independent School District (District), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 4, 2024.

***Report on Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the 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*.

Report on Internal Control – Continued

***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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rutherford, Taylor & Company PC

October 4, 2024  
Greenville, Texas

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

---

Members of the Board  
Caddo Mills Independent School District

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Caddo Mills Independent School District's (District) 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 the District's major federal programs for the year ended June 30, 2024. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the type 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 June 30, 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 *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 Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the 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 the 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 the District's federal programs.

***Auditor's 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 the 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, misrepresentation, 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 judgement made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

Internal Control over Compliance with the Uniform Guidance – Continued

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

- Exercise professional judgement 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 the 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 the 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 the 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 a 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 Auditor's 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 weakness, 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.

**Purpose of This Report**

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.



October 4, 2024  
Greenville, Texas

CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 YEAR ENDED JUNE 30, 2024

**Summary of Auditor's Results (Section I)**

---

*Financial Statements –*

Type of auditor's report issued	Unmodified Opinion
Internal Control over Financial Reporting: Material Weaknesses identified	None
Significant deficiencies identified that are not considered to be material weaknesses	None reported
Noncompliance material to the financial statements noted	None

*Federal Awards –*

Internal control over major programs: Material weaknesses identified	None
Significant deficiencies identified that are not considered to be material weaknesses	None reported
Type of Auditor's report issued on compliance for major programs	Unmodified Opinion
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance	None
Identification of major programs	Special Education Cluster: IDEA – B Formula (84.027a) IDEA – B Formula – ARP (84.027x) IDEA – B Preschool (84.173a)
Dollar threshold used to distinguish between Type A and Type B programs	\$ 750,000
Entity qualified as a low-risk auditee	Yes
Pass-through Entity	Texas Education Agency

CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2024

**Financial Statement Findings (Section II)**

---

NONE

CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2024

**Federal Award Findings and Questioned Costs (Section III)**

---

NONE



CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2024

**Prior Year Findings (Section IV)**

---

NONE

CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2024

**Corrective Action Plans (Section V)**

---

NONE

CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2024

This section of Caddo Mills Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the year ended June 30, 2024, Please read it in conjunction with the District's basic financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

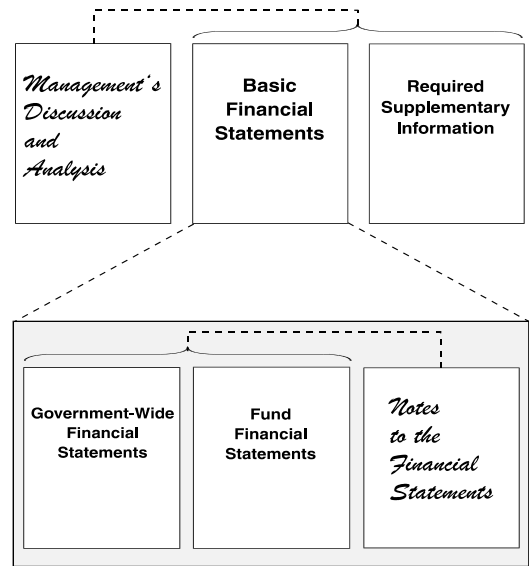
- The District's total combined net assets were \$ 5,183,390 at June 30, 2024.
- During the year, the District's expenses were \$ 1,081,779 less than the \$ 47,564,228 generated in taxes and other revenues for governmental activities.
- The General Fund reported a fund balance this year of \$ 12,673,151, an increase of \$ 937,303 over the previous year.
- The District occupied the new high school and continues to make facility improvements and expansions.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Figure A-1, Required Components of the District's Annual Financial Report**

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



The basic financial statements also include notes that explain some of the information in the basic 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 basic financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2024

**Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements**

Figure A-2 summarizes the major features of the District's basic 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.

**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 assets 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.

<i>Type of Statements</i>	<b>Fund Statements</b>			
	<b>Government-wide</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
<i>Scope</i>	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses: self insurance	Instances in which the district is the trustee or agent for someone else's resources
<i>Required financial statements</i>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures &amp; changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
<i>Accounting basis and measurement focus</i>	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
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up 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; the Agency's funds do not currently contain capital assets, although they can
<i>Type of inflow/outflow information</i>	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

The two government-wide statements report the District's net assets and how they have changed. Net assets—the difference between the District's assets and liabilities—is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base and student population.

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

**FUND FINANCIAL STATEMENTS**

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

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

The District has the following kinds of funds:

- Governmental funds—Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the relationship (or differences) between them.

CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2024

- Proprietary funds—Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. We use internal service funds to report 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. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

The District's combined net assets were \$ 5,183,390 at June 30, 2024.

<b>Caddo Mills Independent School District's Net Position</b>			<b>Table A-1</b>
	Governmental Activities		Total Percentage Change
	2024	2023	2023-2024
<b>Assets:</b>			
Cash and Investments	\$ 84,155,429	\$ 16,995,771	395.16%
Other Assets	8,326,304	6,524,624	27.61%
Capital Assets Less Accumulated	<u>131,517,488</u>	<u>115,222,929</u>	14.14%
Total Assets	<u>\$223,999,221</u>	<u>\$138,743,324</u>	61.45%
Total Deferred Net Outflows of Resources	<u>\$ 11,189,618</u>	<u>\$ 7,786,395</u>	43.71%
<b>Liabilities:</b>			
Current Liabilities	\$ 8,396,413	\$ 3,591,355	133.80%
Long-term Liabilities	<u>214,771,542</u>	<u>132,454,876</u>	62.15%
Total Liabilities	<u>\$223,167,955</u>	<u>\$136,046,231</u>	64.04%
Total Deferred Net Inflows of Resources	<u>\$ 6,851,273</u>	<u>\$ 6,380,866</u>	7.37%
<b>Net Position:</b>			
Net Investment in Capital Assets	\$ (2,562,253)	\$ (2,689,517)	4.73%
Restricted	7,159,111	6,396,320	11.93%
Unrestricted	<u>586,532</u>	<u>395,819</u>	-48.18%
Total Net Position	<u>\$ 5,183,390</u>	<u>\$ 4,102,622</u>	-26.34%

Approximately \$ 6,623,200 of the District's restricted net assets represents funds held for debt retirement. These funds are restricted for retirement of tax supported debt. Unrestricted net assets represent resources available to fund the programs of the District in the upcoming year.

**CHANGES IN NET ASSETS**

The District's total revenues were \$ 47,564,228. 33% of the District's revenue comes from local property taxes (See Table A-2). 54% comes from state aid and federal grants while only 13% relates to charges for services and other miscellaneous revenues including investment earnings.

The total cost of all programs and services was \$ 46,482,449. 50% of these costs are for instruction and instructional related student services.

The District's tax collection percentage rate (current and delinquent base tax only) was 97.11%. The total tax collection percentage rate (base tax and penalty and interest) was 97.93%.

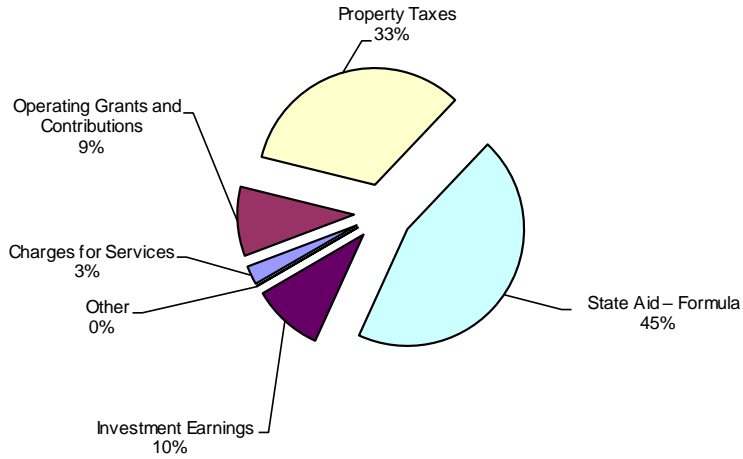
CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2024

**GOVERNMENTAL ACTIVITIES**

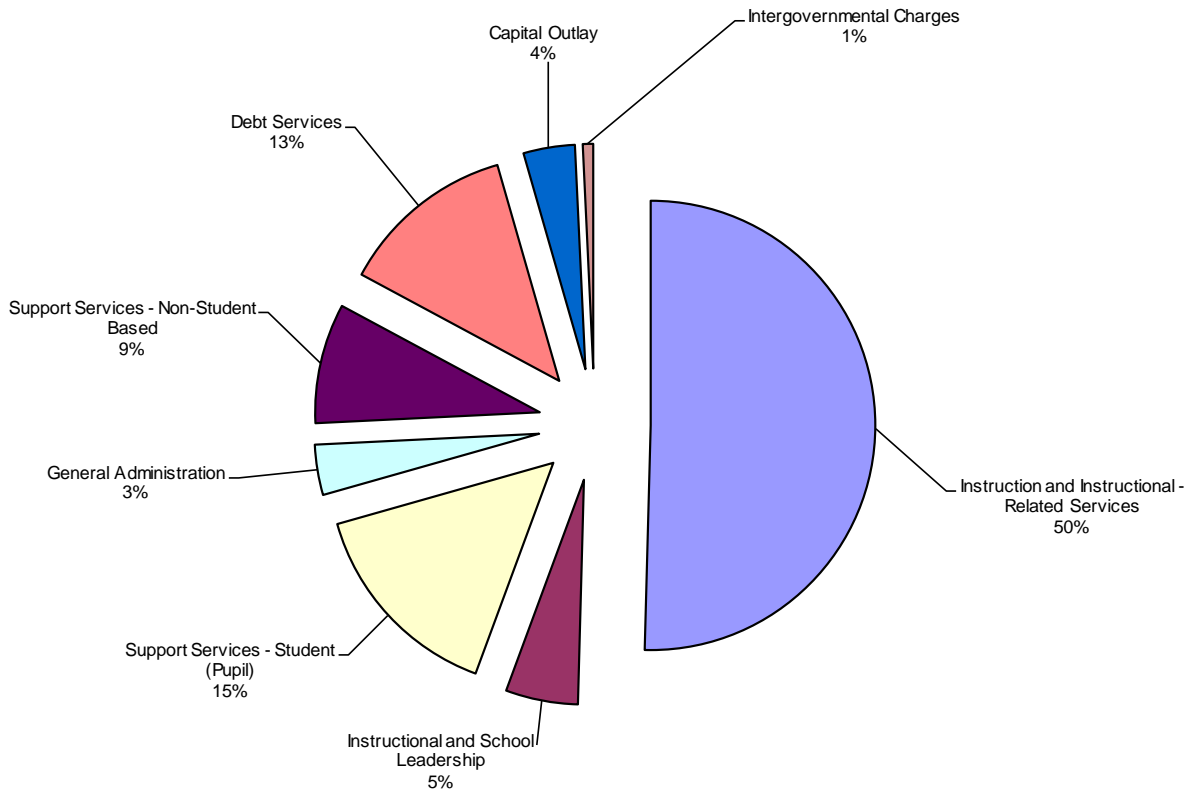
<b>Changes in Caddo Mills Independent School District's Net Position</b>			<b>Table A-2</b>
	Governmental Activities		Total Percentage Change
	2024	2023	2023-2024
<b>Program Revenues:</b>			
Charges for Services	\$ 1,232,635	\$ 1,055,516	16.78%
Operating Grants and Contributions	4,559,472	3,931,589	15.97%
<b>General Revenues:</b>			
Property Taxes	15,803,318	16,168,101	-2.26%
State Aid – Formula	21,274,337	15,177,679	40.17%
Investment Earnings	4,663,698	972,096	379.76%
Other	30,768	22,578	36.27%
<b>Total Revenues</b>	<b>\$ 47,564,228</b>	<b>\$ 37,327,559</b>	<b>27.42%</b>
<b>Expenses:</b>			
Instruction	\$ 22,087,750	\$ 16,656,381	32.61%
Instructional Resources and Media Services	740,356	517,390	43.09%
Curriculum and Staff Development	611,274	591,352	3.37%
Instructional Leadership	314,881	292,422	7.68%
School Leadership	2,103,406	1,810,019	16.21%
Guidance, Counseling and Evaluation Services	1,293,298	965,712	33.92%
Health Services	331,818	257,699	28.76%
Student Transportation	1,182,777	1,408,513	-16.03%
Food Services	1,742,683	1,478,328	17.88%
Cocurricular/Extracurricular Activities	2,410,771	1,877,441	28.41%
General Administration	1,682,466	1,497,826	12.33%
Facilities Maintenance and Operations	3,303,667	2,885,296	14.50%
Security and Monitoring Services	566,037	439,654	28.75%
Data Processing Services	138,883	124,818	11.27%
Debt Service	5,904,726	3,404,409	73.4%
Capital Outlay	1,720,354	3,216,067	-46.5%
Payments for Shared Service Arrangements	22,394	28,093	-20.29%
Other Intergovernmental Charges	324,908	253,879	27.98%
<b>Total Expenses</b>	<b>\$ 46,482,449</b>	<b>\$ 37,705,299</b>	<b>23.28%</b>
Excess (Deficiency) Before Other Resources, Uses and Transfers	\$ 1,081,779	\$ (377,740)	-386.38%
Increase (Decrease) in Net Position	\$ 1,081,779	\$ (377,740)	-386.38%
Net Position - Beginning (July 1)	\$ 4,102,622	\$ 4,512,940	-9.09%
Prior Period Adjustment	(1,011)	(32,578)	-96.90%
Net Position - Beginning, as Restated	\$ 4,101,611	\$ 4,480,362	8.45%
Net Position - Ending (June 30)	\$ 5,183,390	\$ 4,102,622	-26.34%

CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 YEAR ENDED JUNE 30, 2024

Sources of Revenue for Fiscal Year 2024 - See Table A-2



Functional Expenses for Fiscal Year 2024 - See Table A-2



CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2024

- Table A-3 presents the cost of each of the District's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.
- The cost of all governmental activities this year was \$ 46,482,449.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$ 15,803,318.
- Some of the cost was paid by those who directly benefited from the programs \$ 1,232,635, or
- By grants and contributions \$ 4,559,472.

Caddo Mills Independent School District Net Cost of Selected District Functions						Table A-3
	Total Cost of Services			Net Cost of Services		
	2024	2023	%	2024	2023	%
			Change			Change
Instruction	\$ 22,087,750	\$ 16,656,381	32.61%	\$ 20,198,192	\$ 14,309,541	41.15%
School Leadership	2,103,406	1,810,019	16.21%	1,973,961	1,714,210	15.15%
General Administration	1,682,466	1,497,826	12.33%	1,633,353	1,468,809	11.20%
Facilities Maintenance and Operat	3,303,667	2,885,296	14.50%	3,171,602	2,799,309	13.30%
Debt Service	5,904,726	3,404,409	73.44%	5,006,314	3,253,677	53.87%

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

Revenues in the governmental funds totaled \$ 48,100,748 This represents an increase of \$ 10,023,231 from the prior year revenues of \$ 38,077,517. The change represents an increase in total revenues related to additional enrollment and attendance that increased state funding for the year. State funding formulas changed to provide additional funding to offset tax rate compression under legislative action.

Expenditures in the governmental funds totaled \$ 64,612,143. This represents an increase of \$ 13,671,953 from the prior year expenditures of \$ 50,940,190. The change represents the continuation of construction projects and improvements to existing facilities. Increased student enrollment required additional personnel and support staff which also led to the increase in total expenditures.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Over the course of the year, the District revised its General Fund budget several times. With these adjustments, actual General Fund expenditures were \$ 1,834,187 below final budget amounts. The most significant variances were the result of reduced anticipated costs in instruction and facilities maintenance and operations.

Resources available in the General Fund were \$ 2,828,430 above the final budgeted amount. The favorable variance was due to higher than anticipated state revenue related to enrollment and attendance increases.



CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2024

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

At year end, the District had invested \$ 161,858,282 in a broad range of capital assets, including land, equipment, buildings, and vehicles (See Table A-4).

<b>Caddo Mills Independent School District's Capital Assets</b>			<b>Table A-4</b>
	Governmental Activities		Total Percentage Change
	2024	2023	2023-2024
Land	\$ 1,915,540	\$ 1,915,540	0.00%
Construction in Progress	19,632,160	966,000	1932.31%
Buildings and Improvements	134,047,690	133,572,111	0.36%
Vehicles	4,470,830	1,286,794	247.44%
Equipment	1,348,248	3,813,194	-64.64%
Right of Use Assets	188,157	430,610	-56.30%
Subscription Assets	255,657	-	100.00%
Totals at Historical Cost	\$ 161,858,282	\$ 141,984,249	14.00%
Less Accumulated Depreciation	(30,340,795)	(26,761,319)	13.38%
Net Capital Assets	<u>\$ 131,517,487</u>	<u>\$ 115,222,930</u>	14.14%

**DEBT**

At year-end, the District had \$ 201,079,774 in debt outstanding as shown in Table A-5. More detailed information about the District's debt is presented in the notes to the basic financial statements.

**Bond Ratings -**  
The District's bonds presently carry "AAA" ratings.

<b>Caddo Mills Independent School District's Debt</b>			<b>Table A-5</b>
	Governmental Activities		Total Percentage Change
	2024	2023	2023-2024
Bonds Payable	\$ 189,078,462	\$ 111,218,462	70.01%
Other Debt Payable	12,001,312	11,095,317	8.17%
Total Debt Payable	<u>\$ 201,079,774</u>	<u>\$ 122,313,779</u>	64.40%

CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2024

**ECONOMIC FACTORS**

The District's property valuation has continued to increase as economic conditions have improved following the Covid pandemic. This has provided stable tax revenues to the District. Local property tax rates for maintenance and operations are restricted by statute to \$ .97, without local elections. In prior years, the State Legislature passed House Bill 2 (HB2) which included various changes to the property tax rate structure limiting school districts' opportunities for tax modifications and requires compressing the rates charged to taxpayers. During the latest special session of the Texas Legislature, the bodies passed Senate Bill 2 (SB2) which provides a mandatory increase in the homestead exemption to \$100,000. The measure was approved and implemented in the 2024 fiscal year. This and additional changes required under SB2 could impact the District's financial operations, including cash flows.

The State has increased funding levels for the 2023 - 2025 biennium, which will affect the revenue levels of the District. The level of funding per attendance credits increased but the tax rate compression and expanded homestead exemption will reduce the local effort for revenues. This reduction is to be funded by the State in its annual foundation support. With these changes in funding, the District anticipates monitoring expenditure levels to ensure financial stability remains strong.

Student population has remained at a steady historical growth rate in the District. The economic outlook for the area is for growth to be fairly stable, as indicated by property value increases in prior years. Housing has not expanded at the rate of other north central Texas communities but is in a geographic position to see population growth. These economic conditions should allow the District to maintain constant funding and staffing levels in future years.

The State failed to modify the funding plan adopted along with HB2 in the 87<sup>th</sup> legislature. As a result, increased spending for personnel salaries and other operating costs has increased putting continued pressure on the finances of all school districts across the state. The District is monitoring these conditions and will continue to seek options to control spending and maintaining educational programs for its student population.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

## BASIC FINANCIAL STATEMENTS

CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
JUNE 30, 2024

1

Data Control Codes		Governmental Activities
	<b>ASSETS</b>	
1110	Cash and Investments	\$ 84,155,429
1225	Property Taxes Receivable, Net	624,769
1240	Due from Other Governments	7,694,894
1290	Other Receivables, Net	1,291
1300	Inventories	5,350
1410	Unrealized Expenses	13,779
	Capital Assets:	
1510	Land	1,915,540
1520	Building and Improvements, Net	106,811,190
1530	Furniture and Equipment, Net	2,959,038
1550	Right of Use Assets, Net	199,560
1580	Construction in Progress	19,632,160
<b>1000</b>	<b>Total Assets</b>	<b>\$ 224,013,000</b>
	<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1701	Deferred Outflows - Refunding	\$ 1,137,635
1705	Deferred Outflows - Pensions	5,326,482
1706	Deferred Outflows - OPEB	4,725,501
<b>1700</b>	<b>Total Deferred Outflows of Resources</b>	<b>\$ 11,189,618</b>
	<b>LIABILITIES</b>	
2110	Accounts Payable	\$ 4,404,863
2140	Interest Payable	1,280,508
2165	Accrued Liabilities	2,667,876
2300	Unearned Revenues	43,166
	Noncurrent Liabilities:	
2501	Due within one year	1,949,964
2502	Due in more than one year	199,129,810
2540	Net Pension Liability	9,329,872
2545	Net OPEB Liability	4,361,896
<b>2000</b>	<b>Total Liabilities</b>	<b>\$ 223,167,955</b>
	<b>DEFERRED INFLOWS OF RESOURCES</b>	
2605	Deferred Inflows - Pensions	\$ 510,659
2606	Deferred Inflows - OPEB	6,340,614
<b>2600</b>	<b>Total Deferred Inflows of Resources</b>	<b>\$ 6,851,273</b>
	<b>NET POSITION</b>	
3200	Net Investment in Capital Assets	\$ (2,562,253)
	Restricted For:	
3820	Federal and State Programs	489,459
3850	Debt Service	6,623,200
3890	Other Programs	46,452
3900	Unrestricted	586,532
<b>3000</b>	<b>Total Net Position</b>	<b>\$ 5,183,390</b>

The accompanying notes are an integral part of this statement.

CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2024

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues		4 Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Operating Grants and Contributions	
					Governmental Activities
Governmental Activities:					
11	Instruction	\$ 22,087,750	\$ 125,134	\$ 1,764,424	(20,198,192)
12	Instructional Resources and Media Services	740,356	-	17,584	(722,772)
13	Curriculum and Staff Development	611,274	-	44,697	(566,577)
21	Instructional Leadership	314,881	-	11,951	(302,930)
23	School Leadership	2,103,406	47,115	82,330	(1,973,961)
31	Guidance, Counseling and Evaluation Services	1,293,298	-	489,550	(803,748)
33	Health Services	331,818	-	12,611	(319,207)
34	Student Transportation	1,182,777	-	83,310	(1,099,467)
35	Food Services	1,742,683	655,300	802,822	(284,561)
36	Cocurricular/Extracurricular Activities	2,410,771	339,311	35,447	(2,036,013)
41	General Administration	1,682,466	-	49,113	(1,633,353)
51	Facilities Maintenance and Operations	3,303,667	65,775	66,290	(3,171,602)
52	Security and Monitoring Services	566,037	-	196,168	(369,869)
53	Data Processing Services	138,883	-	4,763	(134,120)
72	Interest on Long-term Debt	5,198,105	-	898,412	(4,299,693)
73	Debt Issuance Costs and Fees	706,621	-	-	(706,621)
81	Capital Outlay	1,720,354	-	-	(1,720,354)
93	Payments for Shared Service Arrangements	22,394	-	-	(22,394)
99	Other Intergovernmental Charges	324,908	-	-	(324,908)
TG	Total Governmental Activities	<u>\$ 46,482,449</u>	<u>\$ 1,232,635</u>	<u>\$ 4,559,472</u>	<u>\$ (40,690,342)</u>
TP	Total Primary Government	<u>\$ 46,482,449</u>	<u>\$ 1,232,635</u>	<u>\$ 4,559,472</u>	<u>\$ (40,690,342)</u>
General Revenues:					
MT	Property Taxes, Levied for General Purposes				\$ 9,519,414
DT	Property Taxes, Levied for Debt Service				6,283,904
IE	Investment Earnings				4,663,698
FC	State Aid - Formula Grants				21,274,337
MI	Miscellaneous				30,768
TR	Total General Revenues				<u>\$ 41,772,121</u>
CN	Change in Net Position				<u>\$ 1,081,779</u>
NB	Net Position - Beginning (July 1)				\$ 4,102,622
PA	Prior Period Adjustment				(1,011)
	Net Position - Beginning, as restated				<u>\$ 4,101,611</u>
NE	Net Position - Ending (June 30)				<u>\$ 5,183,390</u>

The accompanying notes are an integral part of this statement.

CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2024

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	onmf Other Governmental Funds	98 Total Governmental Funds
<b>ASSETS</b>					
1110 Cash and Investments	\$ 8,164,018	\$ 7,276,518	\$ 67,939,626	\$ 767,011	\$ 84,147,173
1120 Property Taxes Receivable, Net	414,942	209,827	-	-	624,769
1240 Due from Other Governments	7,129,817	417,363	-	147,714	7,694,894
1260 Due from Other Funds	-	-	-	1,291	1,291
1300 Inventories	5,349	-	-	-	5,349
1410 Unrealized Expenditures	13,780	-	-	-	13,780
<b>1000 Total Assets</b>	<b>\$ 15,727,906</b>	<b>\$ 7,903,708</b>	<b>\$ 67,939,626</b>	<b>\$ 916,016</b>	<b>\$ 92,487,256</b>
<b>LIABILITIES</b>					
Current Liabilities:					
2110 Accounts Payable	\$ 61,405	\$ -	\$ 4,343,458	\$ -	\$ 4,404,863
2150 Payroll Deductions & Withholdings	6,471	-	-	-	6,471
2160 Accrued Wages Payable	2,429,941	-	-	82,295	2,512,236
2200 Accrued Expenditures	141,996	-	-	7,173	149,169
2300 Unearned Revenues	-	-	-	43,166	43,166
<b>2000 Total Liabilities</b>	<b>\$ 2,639,813</b>	<b>\$ -</b>	<b>\$ 4,343,458</b>	<b>\$ 132,634</b>	<b>\$ 7,115,905</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
2610 Deferred Property Tax Revenue	\$ 414,942	\$ 209,827	\$ -	\$ -	\$ 624,769
<b>2600 Total Deferred Inflows of Resources</b>	<b>\$ 414,942</b>	<b>\$ 209,827</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 624,769</b>
<b>FUND BALANCES</b>					
Nonspendable Fund Balances:					
3410 Inventories	\$ 5,349	\$ -	\$ -	\$ -	\$ 5,349
3430 Prepaid Items	13,780	-	-	-	13,780
Restricted Fund Balances:					
3450 Federal/State Funds Grants	-	-	-	441,472	441,472
3480 Retirement of Long-Term Debt	-	7,693,881	-	-	7,693,881
3490 Other Restrictions of Fund Balance	-	-	63,596,168	46,452	63,642,620
Committed Fund Balances:					
3510 Construction	2,324,498	-	-	-	2,324,498
3545 Other Committed Fund Balance	1,010,500	-	-	295,458	1,305,958
3600 Unassigned	9,319,024	-	-	-	9,319,024
<b>3000 Total Fund Balance</b>	<b>\$ 12,673,151</b>	<b>\$ 7,693,881</b>	<b>\$ 63,596,168</b>	<b>\$ 783,382</b>	<b>\$ 84,746,582</b>
<b>4000 Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 15,727,906</b>	<b>\$ 7,903,708</b>	<b>\$ 67,939,626</b>	<b>\$ 916,016</b>	<b>\$ 92,487,256</b>

The accompanying notes are an integral part of this statement.

CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE BALANCE SHEET (GOVERNMENTAL FUNDS)  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2024

Total fund balances - Governmental Funds Balance Sheet	\$	84,746,582
Amounts reported for governmental activities in the statement of net position ("SNP") are different because:		
Capital assets used in governmental activities are not reported in the funds.		131,517,488
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		624,769
The assets and liabilities of internal service funds are included in governmental activities in the SNP.		8,256
Payables for bond principal which are not due in the current period are not reported in the funds.		(189,078,462)
Payables for right of use leases which are not due in the current period are not reported in the funds.		(73,282)
Payables for debt interest which are not due in the current period are not reported in the funds.		(1,280,508)
Payables for direct borrowings which are not due in the current period are not reported in the funds.		(836,000)
Payable for contracts which are not due in the current period are not reported in the funds.		(98,620)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.		1,137,635
Recognition of the District's proportionate share of the OPEB liability is not reported in the funds.		(9,329,872)
Deferred Resource Inflows related to the OPEB plans are not reported in the funds.		(510,659)
Deferred Resource Outflows related to the OPEB plans are not reported in the funds.		5,326,482
The accumulated accretion of interest on capital appreciation bonds is not reported in the funds.		(3,403,866)
Debt premiums are amortized in the SNA but not in the funds.		(7,589,544)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.		(4,361,896)
Deferred Resource Inflows related to the pension plan are not reported in the funds.		(6,340,614)
Deferred Resource Outflows related to the pension plan are not reported in the funds.		4,725,501
		<hr style="border-top: 1px solid black;"/>
Net position of governmental activities - Statement of Net Position	\$	<u>5,183,390</u>

The accompanying notes are an integral part of this statement.

CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2024

Data	10	50	60	onmf	98
Control	General	Debt	Capital	Other	Total
Codes	Fund	Service	Projects	Governmental	Governmental
	Fund	Fund	Fund	Funds	Funds
<b>REVENUES</b>					
5700 Local and Intermediate Sources	\$ 10,481,365	\$ 6,626,303	\$ 3,760,689	\$ 1,078,609	\$ 21,946,966
5800 State Program Revenues	22,927,296	898,412	-	393,694	24,219,402
5900 Federal Program Revenues	167,032	-	-	1,767,348	1,934,380
<b>5020 Total Revenues</b>	<b>\$ 33,575,693</b>	<b>\$ 7,524,715</b>	<b>\$ 3,760,689</b>	<b>\$ 3,239,651</b>	<b>\$ 48,100,748</b>
<b>EXPENDITURES</b>					
Current:					
0011 Instruction	\$ 19,391,782	\$ -	\$ -	\$ 747,927	\$ 20,139,709
0012 Instructional Resources and Media Services	428,691	-	-	26,728	455,419
0013 Curriculum and Staff Development	581,578	-	-	27,140	608,718
0021 Instructional Leadership	314,068	-	-	-	314,068
0023 School Leadership	1,942,055	-	-	27,389	1,969,444
0031 Guidance, Counseling and Evaluation Services	795,786	-	-	455,814	1,251,600
0033 Health Services	310,468	-	-	-	310,468
0034 Student Transportation	1,366,341	-	166,756	13,704	1,546,801
0035 Food Services	-	-	-	1,443,703	1,443,703
0036 Cocurricular/Extracurricular Activities	1,769,523	-	-	106,304	1,875,827
0041 General Administration	1,538,262	-	-	62,265	1,600,527
0051 Facilities Maintenance and Operations	3,109,381	-	170,009	-	3,279,390
0052 Security and Monitoring Services	366,415	-	-	178,454	544,869
0053 Data Processing Services	136,135	-	-	-	136,135
0071 Principal on Long-term Debt	314,166	1,550,000	-	-	1,864,166
0072 Interest on Long-term Debt	23,704	5,253,568	-	-	5,277,272
0073 Debt Issuance Cost and Fees	-	4,910	701,711	-	706,621
0081 Capital Outlay	-	-	20,940,104	-	20,940,104
0093 Payments for Shared Service Arrangements	22,394	-	-	-	22,394
0099 Other Intergovernmental Charges	324,908	-	-	-	324,908
<b>6030 Total Expenditures</b>	<b>\$ 32,735,657</b>	<b>\$ 6,808,478</b>	<b>\$ 21,978,580</b>	<b>\$ 3,089,428</b>	<b>\$ 64,612,143</b>
<b>1100 Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ 840,036</b>	<b>\$ 716,237</b>	<b>\$ (18,217,891)</b>	<b>\$ 150,223</b>	<b>\$ (16,511,395)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
7911 Capital - Related Debt Issued (Regular Bonds)	\$ -	\$ -	\$ 79,410,000	\$ -	\$ 79,410,000
7915 Transfers In	97,267	-	-	-	97,267
7916 Premium (Discount) on Issuance of Bonds	-	-	1,291,711	-	1,291,711
8911 Transfers Out	-	-	-	(39,161)	(39,161)
<b>7080 Net Other Financing Sources (Uses)</b>	<b>\$ 97,267</b>	<b>\$ -</b>	<b>\$ 80,701,711</b>	<b>\$ (39,161)</b>	<b>\$ 80,759,817</b>
<b>1200 Net Change in Fund Balances</b>	<b>\$ 937,303</b>	<b>\$ 716,237</b>	<b>\$ 62,483,820</b>	<b>\$ 111,062</b>	<b>\$ 64,248,422</b>
0100 Fund Balances - Beginning (July 1)	11,735,848	6,977,644	1,112,348	672,320	20,498,160
<b>3000 Fund Balances - Ending (June 30)</b>	<b>\$ 12,673,151</b>	<b>\$ 7,693,881</b>	<b>\$ 63,596,168</b>	<b>\$ 783,382</b>	<b>\$ 84,746,582</b>

The accompanying notes are an integral part of this statement.



CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2024

Net change in fund balances - total governmental funds	\$ 64,248,422
<p>Amounts reported for governmental activities in the statement  of activities ("SOA") are different because:</p>	
Capital outlays are not reported as expenses in the SOA.	20,059,221
The depreciation of capital assets used in governmental activities is not reported in the funds.	(3,788,016)
The gain or loss on the sale of capital assets is not reported in the funds.	7,150
All proceeds from the sale of capital assets are reported in the funds but not in the SOA.	(7,150)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this period.	(37,915)
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.	241,410
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	1,550,000
Repayment of right to use leases is an expenditure in the funds but is not an expense in the SOA.	76,976
Repayment of direct borrowings principal is an expenditure in the funds but is not an expense in the SOA.	107,000
The accretion of interest on capital appreciation bonds is not reported in the Funds.	(114,882)
(Increase) decrease in accrued interest expense from beginning of period to end of period.	16,798
The net revenue (expense) of internal service funds is reported with governmental activities.	(57,246)
Proceeds of long-term debt is recognized as other financial resources in the funds but not revenue in the SOA.	(41,749)
Proceeds of bonds do not provide revenue in the SOA, but are reported as current recourse in the funds.	(79,410,000)
Bond Premiums are reported in the funds but not in the SOA.	(1,291,711)
Repayment of SBITA's principal is an expenditure in the funds but not an expense in the SOA.	66,031
OPEB expense is recorded in the SOA but not in the funds.	470,759
OPEB contributions in the current period are de-expended and recorded as deferred resource outflows.	176,873
OPEB contributions deferred in the prior period were expended in the current year.	(143,998)
Pension expense is recorded in the SOA but not in the funds.	(1,319,567)
Pension contributions in the current period are de-expended and recorded as deferred resource outflows.	858,339
Pension contributions deferred in the prior period are expended in the current period.	<u>(584,966)</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 1,081,779</u>

The accompanying notes are an integral part of this statement.

CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
 STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS  
 JUNE 30, 2024

<u>Data Control Codes</u>	<u>Internal Service Fund</u>
<b>ASSETS</b>	
Current Assets:	
1110 Cash and Cash Equivalents	\$ 8,256
<b>1000 Total Assets</b>	<b>\$ 8,256</b>
<b>LIABILITIES</b>	
Current Liabilities:	
2110 Accounts Payable	\$ -
<b>2000 Total Liabilities</b>	<b>\$ -</b>
<b>NET POSITION</b>	
3900 Unrestricted	\$ 8,256
<b>3000 Total Net Position</b>	<b>\$ 8,256</b>

The accompanying notes are an integral part of this statement.

CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND NET POSITION - PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2024

<u>Data Control Codes</u>		<u>Internal Service Fund</u>
	<b>OPERATING REVENUES</b>	
5700	Local and Intermediate Sources	\$ 860
<b>5020</b>	<b>Total Operating Revenues</b>	<b>\$ 860</b>
	Income (Loss) before Contributions and Transfers	\$ 860
8911	Transfers Out	(58,106)
<b>1300</b>	<b>Change in Net Position</b>	<b>\$ (57,246)</b>
0100	Total Net Position - Beginning July 1)	65,502
<b>3000</b>	<b>Total Net Position - Ending (June 30)</b>	<b>\$ 8,256</b>

The accompanying notes are an integral part of this statement.

CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
YEAR ENDED JUNE 30, 2024

		Internal Service Fund
Cash Flows from Operating Activities:		
Cash Receipts from Operating Interest	\$	860
Operating Transfers Out		(58,106)
Net Cash Provided by (Used for) Operating Activities	\$	(57,246)
Cash Flows from Capital and Other Related Financing Activities:		
NONE		
Cash Flows for Noncapital Financing Activities:		
NONE		
Cash Flows from Investing Activities:		
NONE		
Net Increase (Decrease) in Cash and Investments	\$	(57,246)
Cash and Investments - Beginning (July 1)		65,502
<b>Cash and Investments - Ending (June 30)</b>	<b>\$</b>	<b>8,256</b>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income (Loss)	\$	(57,246)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Increase (Decrease) in Claims Payable		-
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>\$</b>	<b>(57,246)</b>

The accompanying notes are an integral part of this statement.

CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
 STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS  
 JUNE 30, 2024

<u>Data Control Codes</u>		<u>Custodial Funds Student Activity</u>
	<b>ASSETS</b>	
	Current Assets:	
1110	Cash and Investments	\$ 190,333
<b>1000</b>	<b>Total Assets</b>	<b>\$ 190,333</b>
	<b>LIABILITIES</b>	
	Current Liabilities:	
2110	Accounts Payable	\$ 1,328
<b>2000</b>	<b>Total Liabilities</b>	<b>\$ 1,328</b>
	<b>NET POSITION</b>	
	Restricted for:	
3800	Student Groups	\$ 189,005
<b>3000</b>	<b>Total Net Position</b>	<b>\$ 189,005</b>

The accompanying notes are an integral part of this statement.

CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION  
YEAR ENDED JUNE 30, 2024

<u>Data Control Codes</u>		<u>Custodial Funds Student Activity</u>
	<b>ADDITIONS</b>	
5700	Fundraising Activities	<u>\$ 270,481</u>
<b>5020</b>	<b>Total Additions</b>	<u>\$ 270,481</u>
	<b>DEDUCTIONS</b>	
6400	Group Activities	<u>\$ 289,582</u>
<b>6030</b>	<b>Total Deductions</b>	<u>\$ 289,582</u>
<b>1300</b>	<b>Change in Net Position</b>	\$ (19,101)
0100	Net Position, Beginning (July 1)	<u>208,106</u>
<b>3000</b>	<b>Net Position, Ending (June 30)</b>	<u><b>\$ 189,005</b></u>

The accompanying notes are an integral part of this statement.

CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2024

A. Summary of Significant Accounting Policies

The basic financial statements of the Caddo Mills Independent School District (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 (Guide). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. 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 as a body corporate 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 (Agency) or to the State Board of Education are reserved for the Board, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District is not included in any other governmental "reporting entity" as defined by GASB in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

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

2. Basis of Presentation – Basis of Accounting

a. Basis of Presentation

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

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

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

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

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 accumulation of resources for, and the payment of general long-term Debt principal, interest, and related costs.

Capital Projects Fund- This fund accounts for local funds set aside by the Board and are committed for future construction and improvement projects.

CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2024

A. Summary of Significant Accounting Policies (Continued)

In addition, the District reports the following fund types:

Special Revenue Funds – The District accounts for resources restricted to or designated for specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a special revenue fund, and sometimes unused balances must be returned to the grantor at the close of specified project years. The Board can commit specific types of resources to specific purposes which are included as special revenue funds.

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

Custodial Funds – These funds are reported in the fiduciary fund financial statements. These funds are used to report student activity funds and other resources held in a custodial capacity. Custodial funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

b. Measurement Focus – Basis of Accounting

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

*Governmental Fund Financial Statements* – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally measurable until 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 long-term debt, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital lease are reported as other financing sources.

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

3. Budgetary Data

The official budget was prepared for adoption for the general, food service and debt service funds. The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- a. Prior to June 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning July 1.
- b. A meeting of the Board is called for the purpose of adopting the proposed budget with public notice given at least 10 days prior to the meeting.
- c. Prior to the expenditure of funds, the budget is adopted by the Board.



CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2024

A. Summary of Significant Accounting Policies (Continued)

After adoption, the budget may be amended through action by the Board. Budget amendments are approved at the functional expenditure level. All amendments are before the fact and reflected in the official minutes of the Board. Budgets are controlled at the function level by personnel responsible for organizational financial reporting. All budget appropriations lapse at the year end. Budget amendments throughout the year were not significant.

4. Encumbrance Accounting

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at year end, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget.

End-of-year outstanding encumbrances that were provided for in the subsequent year's budget are:

General Fund	\$	-0-
Special Revenue Fund		-0-
Debt Service Fund		-0-
Total	\$	-0-

5. Financial Statement Amounts

Cash and Investments

The District pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as a part of the District's cash and temporary investments.

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

Fund Balance

Governmental funds utilize a fund balance presentation for equity. Fund balance is categorized as nonspendable, restricted, committed, assigned or unassigned.

*Nonspendable fund balance* – represents amounts that cannot be spent because they are either not spendable form (such as inventory or prepaids) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

*Restricted fund balance* – represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

*Committed fund balance* – represents amounts that can only be used for specific purposes imposed by a formal action of the District's highest level of decision-making authority, the Board. Committed resources cannot be used for any other purpose unless the Board removes or changes the specific use by taking the same formal action that imposed the constraint originally.

*Assigned fund balance* – represents amounts the District intends to use for specific purposes as expressed by the Board or an official delegated the authority. The Board has delegated the authority to assign fund balances to the Superintendent.

*Unassigned fund balance* – represents the residual classification for the general fund or deficit balances in other funds.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2024

A. Summary of Significant Accounting Policies (Continued)

The following schedule provides information about the specific fund balance classification by fund:

	General	Debt Service	Capital Projects	Other Governmental	Total
Nonspendable					
Inventory	\$ 5,349	\$ -	\$ -	\$ -	\$ 5,349
Prepaid Items	13,780				13,780
Restricted					
Retirement of Long Term Debt	-	7,693,881	-	-	7,693,881
Construction	-	-	63,596,168	-	63,596,168
Child Nutrition	-	-	-	441,472	441,472
Scholarships	-	-	-	42,673	42,673
Education Foundation Grants	-	-	-	3,779	3,779
Committed					
Construction	2,324,498	-	-	-	2,324,498
Future Budget Deficit	1,010,500	-	-	47,987	1,058,487
Campus Activity	-	-	-	247,471	247,471
Unassigned	9,319,024	-	-	-	9,319,024
Totals	<u>\$ 12,673,151</u>	<u>\$ 7,693,881</u>	<u>\$ 63,596,168</u>	<u>\$ 783,382</u>	<u>\$ 84,746,582</u>

Inventories

The purchase method is used to account for inventories of school supplies, athletic equipment, and food products. Under this method, supplies and materials are debited as expenditures when purchased.

Prepaid Items

Certain payments to vendors reflect cost applicable to future accounting years and are recorded as prepaid items. Prepaid items are recorded as expenditures when the items are consumed or occur.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital 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 and Improvements	15-50
Vehicles	5-10
Other Equipment	3-15

Unearned Revenues

Unearned revenues include state funds received but have not been earned in the year. The balance will be earned in the future year and not returned as liabilities.

Right of Use Assets and Liabilities

GASB Statement 87, *Leases* created new financial statement accounts "Right of Use" assets and similar offsetting liabilities. A "right of use" asset accounts for the net present value of future payments attached to a leased asset. Common examples of "Right of Use" assets are copiers, printers, and other types of equipment that the District does not take ownership of but uses under the lease agreement. The assets value will be amortized over the life of the lease using a straight-line method. The liability offsetting the "Right of Use" is presented as lease payable.

CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2024

A. Summary of Significant Accounting Policies (Continued)

Subscription-Based Information Technology Arrangements (SBITA)

GASB Statement 96, *Subscription-Based Information Technology Arrangements* created new financial statement assets and offsetting liabilities. A SBITA asset accounts for the net present value of future payments required for right of use subscription assets. To the extent relevant, the standards for SBITA's are based on the standards established by GASB Statement 87, *Leases*. A SBITA is defined as a contract that conveys control of the right of use of another party's information technology (software) as specified in the contract for a period of time in an exchange or exchange-like transaction. The asset will be amortized over the life of the contract allowing the use of the information technology over a straight line method. The asset is included in the financial statement caption right of use asset with the offsetting liability identified as SBITA payable.

6. Deferred Outflows and Inflows of Resources

The District implemented GASB Statement Number 68, *Accounting and Financial Reporting for Pensions* and GASB Statement Number 75, *Accounting and Financial Reporting for Postemployment Benefits and Other Pensions*. In addition to assets and liabilities, the government-wide Statement of Net Position and governmental fund Balance Sheet report separate sections for deferred outflows and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position/fund balance that applies to a future year and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent the acquisition of net position/fund balance that applies to a future year and will not be recognized as an inflow of resources (revenue) until that time. The District reports certain deferred inflows and outflows related to pensions on the government-wide Statement of Net Position. At the governmental fund level, earned but unavailable revenue is reported as a deferred inflow of resources.

The District also implemented GASB Statement Number 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which amends the transition provisions of GASB 68. GASB 71 requires that, at transition, governments recognize a beginning deferred outflow of resource for pension contributions made subsequent to the measurement date of the beginning Net Pension Liability. Implementation is reflected in the financial statements and the prior year adjustment.

7. 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.

8. Interfund Activities

Interfund activity results from loans, service 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 "Transfer" 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.

9. Vacation, Sick Leave, and Other Compensated Absences

District employees are entitled to certain compensated absences based on their length of employment. Sick leave accrues at various rates established by the State and adopted by the Board of Trustees. Sick leave vests, accumulates, and is recorded as expense as it is incurred. Sick leave is paid upon separation from the District.

CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2024

A. Summary of Significant Accounting Policies (Continued)

10. 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. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teacher Retirement System of Texas (TRS) and additions to/ deductions from TRS's fiduciary net position have been determined on the same basis as they are reported by TRS. For this purpose, 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.

11. Other Post-Employment Benefits (OPEB)

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

12. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could vary from these estimates.

13. New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued various new accounting standards to better meet the information needed for users of financial statements by improving accounting and financial reporting. The GASB does this by issuing statements that cover various issues identified as needing additional clarification or direction to maintain standardization and comparability of financial information. During the year, the GASB issued no new standards. The following statements with varying effective dates noted are to be implemented in the coming periods:

Statement 99: *Omnibus 2024* (Effective upon issuance with some effective FY beginning after June 15, 2024)

Statement 100: *Accounting Changes and Error Corrections* (Effective FY beginning after June 15, 2024)

Statement 101: *Compensated Absences* (Effective FY beginning after December 15, 2024)

Statement 102: *Certain Risk Disclosures* (Effective FY beginning after June 15, 2024)

Statement 103: *Financial Reporting Model Improvements* (Effective FY beginning after June 15, 2025)

14. Data Control Codes

Data control codes refer to the account code structure prescribed by the Agency in the *Guide*. The Agency requires the District to display these codes in its financial statements filed with the Agency in order to ensure accuracy in building a statewide database for policy development and funding plans.

CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2024

B. Deposits, Securities, and Investments

15. Accounting System

In accordance with Texas Education Code, Chapter 44, Subchapter A, the District adopted and implemented an accounting system which at least meets the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. The District's accounting system uses codes, and the code structure presented in the accounting code section of the *Guide*. Mandatory codes are utilized in the form provided in that section.

Cash Deposits

The District's funds are deposited and invested under the terms of a depository contract. The contract requires the depository to pledge approved securities in an amount significant to protect the District's day-to-day balances. The pledge is waived only to the extent of the dollar amount of Federal Deposit Insurance District (FDIC) insurance. At year end, all District cash deposits appear to have been adequately covered by FDIC insurance or by pledged collateral held by the District or the depository in the District's name. The District's deposits appear to have been properly secured throughout the year.

Investments

The District's investment policies and types of investments are governed by the Public Funds Investment Act (PFIA). The Act requires specific training reporting and establishment of local policies. The District appears to be in compliance with all the requirements of the Act.

The PFIA (Government Code Chapter 256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity to adopt, implement and publicize an investment policy. That policy must address the following areas (1) safety of principal and liquidity, (2) portfolio diversifications, (3) allowable investments, (4) acceptable risk level, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the state maturity date of portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preference for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) banker's acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The PFIA governs the District's investment policies and types of investments.

The District's management believes that it complies with the requirements of the PFIA and the District's investment policies.

District investments include investments in TexSTAR and Lone Star Investment Pool, which are local government investment pools. All investments are reported at fair value and are presented as cash and investments.

The following table lists the District's investments at year end:

	Fair/Value Amortized Cost	Weighted Average Maturity (Days)
Governmental Activities:		
Investments:		
Lone Star Investment Pool	\$ 34,627,916	39
TexSTAR	14,588	24
Total	\$ 34,642,504	

CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2024

B. Deposits, Securities, and Investments (Continued)

*Lone Star Investment Pool*

The Lone Star Investment Pool (Lone Star) is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Texas Government Code, Chapter 791, and the PFIA, Texas Government Code, Chapter 2256. Lone Star is administered by First Public, a subsidiary of the Texas Association of School Boards (TASB), with Standish and American Beacon Advisors managing the investment and reinvestment of Lone Star's assets. State Street Bank provides custody and valuation services to Lone Star. All of the board of trustees' eleven members are Lone Star participants by either being employees or elected officials of a participant. Lone Star has established an advisory board composed of both pool members and non-members. Lone Star is rated AAAM by Standard and Poor's. Lone Star has no limitations or restrictions on withdrawals. The District is invested in the Corporate Overnight Plus Fund of Lone Star. Lone Star has 3 different funds: Government Overnight, Corporate Overnight and Corporate Overnight Plus. Government and Corporate Overnight maintain a net asset value of one dollar and the Corporate Overnight Plus maintains a net Asset value of 50 cents. The Government Overnight and Corporate Overnight Funds value all investments at amortized cost and are operated in accordance with GASB 79. The Corporate Overnight Plus Fund values all investments at fair value and is operated in accordance with GASB 72.

*Texas Short Term Asset Reserve Program*

Texas Short Term Asset Reserve Program (TexSTAR) has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the PFIA, Chapter 2256 of the Texas Government Code. These two acts provide for the creation of public funds investment pools (including TexSTAR) and authorized eligible governmental entities (Participants) to invest their public funds and funds under their control through the investment pools. J.P. Morgan Investment Management, Inc. (JPMIM) and First Southwest Asset Management, Inc. (FSAM) serve as co-administrators for TexSTAR under an agreement with the TexSTAR board of directors (Board). JPMIM provides investment services, and FSAM provides participant services and marketing. Custodial, transfer agency, fund accounting and depository services are provided by JPMorgan Chase Bank and/or its subsidiary J.P. Morgan Investor Services Co. The Board may establish separate Funds within TexSTAR from time to time. Participants choose the Funds in which their deposits are invested. Participants' assets in the Funds are represented by units of beneficial interest (units). The Board may issue an unlimited number of units in each Fund. TexSTAR is rated AAAM by Standard & Poor's rating agency. This rating and the fund's operational settings allow the fund to comply with the requirement of the PFIA.

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 recognized agencies are designed to give an indication of credit risk. The District's investments in TexPool are currently rated AAAM by Standard and Pools.

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 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.

The largest combined balances of cash, saving and time deposit accounts amounted to \$ 58,866,803 and occurred in March 2024. The amount of bond or market value of securities pledged as of the date of the highest combine balance on deposit was \$ 63,602,739. The total amount of FDIC coverage at the time of the highest combined balance was \$ 500,000. Alliance Bank of Sulphur Springs, Texas is the District's depository.

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.

CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2024

B. Deposits, Securities, and Investments (Continued)

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. District investments are limited to short term maturities to limit any potential interest rate risk. 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. State statutes do not allow for foreign investments this eliminating foreign currency rate risk. The District was not exposed to foreign currency risk.

f. Fair Value Measurements

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or equivalent) as practical expedient are not classified in the fair value hierarchy.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements require judgement and considers factors specific to each asset or liability.

The fair value of the certificates of deposit at year end was determined based on level 2 inputs. The District estimated the fair value of these investments using inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

The District's investment in the various local government investment pools is not required to be measured at fair value but is measured at amortized cost.

C. Property Taxes

Property taxes are levied by October 1, in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the October 1 levy date. 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 collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year.

Property taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Section 33.05, Property Tax Code, requires the tax collector for the District to cancel and remove from the delinquent tax rolls a tax on real property that has been delinquent for more than 20 years or a tax on personal property that has been delinquent for more than 10 years. Delinquent taxes meeting this criteria may not be canceled if litigation concerning these taxes is pending.

The District levied taxes on property within the District at \$ 0.7575 to fund general operations and \$ 0.5000 for the payment of principal and interest on long-term debt. The rates were levied on property assessed totaling \$ 1,286,356,262. The District contracts with a tax attorney for the collection of all delinquent taxes. Delinquent taxes are subject to both penalty and interest plus a 20% delinquent tax attorney collection fee.



CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2024

D. Capital Assets

Capital asset activities during the year were as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental Activities:</u>				
Capital Assets not being depreciated:				
Land	\$ 1,915,540	\$ -	\$ -	\$ 1,915,540
Construction in Progress	966,000	18,666,160	-	19,632,160
<b>Total Capital Assets not being depreciated</b>	<b>\$ 2,881,540</b>	<b>\$ 18,666,160</b>	<b>\$ -</b>	<b>\$ 21,547,700</b>
Capital Assets being depreciated:				
Buildings and Improvements	\$ 133,572,111	\$ 475,579	\$ -	\$ 134,047,690
Vehicles	3,813,194	784,279	126,643	4,470,830
Equipment	1,286,794	61,454	-	1,348,248
Right of Use Assets	283,562	-	95,405	188,157
Subscription Assets	183,908	71,749	-	255,657
<b>Total Capital Assets being depreciated</b>	<b>\$ 139,139,569</b>	<b>\$ 1,393,061</b>	<b>\$ 222,048</b>	<b>\$ 140,310,582</b>
Less Accumulated Depreciation for:				
Buildings and Improvements	\$ 23,961,107	\$ 3,275,394	\$ -	\$ 27,236,501
Vehicles	1,749,868	282,236	126,643	1,905,461
Equipment	870,944	83,635	-	954,579
Right of Use Assets	118,647	86,180	95,405	109,422
Subscription Assets	74,260	60,572	-	134,832
<b>Total Accumulated Depreciation</b>	<b>\$ 26,774,826</b>	<b>\$ 3,788,017</b>	<b>\$ 222,048</b>	<b>\$ 30,340,795</b>
<b>Total Capital Assets being depreciated, net</b>	<b>\$ 112,364,743</b>	<b>\$ (2,394,956)</b>	<b>\$ -</b>	<b>\$ 109,969,787</b>
<b>Governmental Activities Capital Assets, net</b>	<b>\$ 115,246,283</b>	<b>\$ 16,271,204</b>	<b>\$ -</b>	<b>\$ 131,517,487</b>

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

Instruction	\$ 1,881,667
Instructional Resources and Media Services	305,072
School Administration	116,338
School Leadership	21,503
Guidance, Counseling and Evaluation Services	48,120
Health Services	315,280
Student Transportation	332,798
Food Services	574,868
Cocurricular/Extracurricular Activities	72,624
General Administration	96,314
Facilities Maintenance and Operations	21,602
Security	1,831
<b>Total</b>	<b>\$ 3,788,017</b>



CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2024

E. Long Term Obligations

Long Term Obligation Activity

Long-term obligation activities during the year were as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Amounts Due Within One Year
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 111,218,462	\$ 79,410,000	\$ 1,550,000	\$ 189,078,462	\$ 1,730,000
Direct Borrowing	943,000	-	107,000	836,000	110,000
Right of Use Lease	150,258	-	76,976	73,282	57,129
SBITA Payable	122,902	41,749	66,031	98,620	52,835
Accreted Interest Payable	3,288,984	114,882	-	3,403,866	-
Unamortized Premium (Discount)	6,614,538	1,291,711	316,705	7,589,544	-
Total Governmental Activities	<u>\$ 122,338,144</u>	<u>\$ 80,858,342</u>	<u>\$ 2,116,712</u>	<u>\$ 201,079,774</u>	<u>\$ 1,949,964</u>

Bonds

The District has issued various series of general obligation bonds to fund facility construction and improvements. Bonds mature at various times with varying rates of interest. The bonds issued require the District to levy an ad valorem tax annually to retire the current maturities. The District is required to make annual interest payments along with annual principal payments.

The District issued "Caddo Mills Independent School District Unlimited Tax School Building Bonds, Series 2023," totaling \$ 79,410,000 for construction of District facilities. These bonds incur an average interest cost over the life of the bonds at a rate of 4.388% and mature annually with semi-annual interest payments. The bonds will fully mature in 2057.

The following bonded debt issues are outstanding at year end:

Description	Interest Rate	Original Amount	Outstanding Balance
Unlimited Tax Refunding Bonds, Series 2015A	2.410%	\$ 6,425,000	\$ 3,085,000
Unlimited Tax Refunding Bonds, Series 2015B	3.800%	8,500,000	7,920,000
Unlimited Tax Refunding Bonds, Series 2016	2.715%	7,280,000	5,465,000
Unlimited Tax Refunding Bonds, Series 2017	3.390%	5,028,463	5,028,462
Unlimited Tax Refunding Bonds, Series 2020A	3.500%	2,210,000	1,955,000
Unlimited Tax School Building Bonds, Series 2021	2.127%	48,695,000	47,630,000
Unlimited Tax School Building Bonds, Series 2021A	3.194%	38,590,000	38,590,000
Unlimited Tax School Building Bonds, Series 2023	4.388%	79,410,000	79,405,000
Totals			<u>\$ 189,078,462</u>

Maturity requirements on bonded debt at year end are as follows:

Year Ending June 30	Principal	Interest	Total Requirements
2025	\$ 1,730,000	\$ 6,949,631	\$ 8,679,631
2026	2,410,000	6,899,144	9,309,144
2027	2,909,450	7,004,093	9,913,543
2028	3,045,896	6,882,923	9,928,819
2029	3,198,016	6,744,578	9,942,594
2029-2034	17,145,100	32,795,493	49,940,593
2035-2039	22,260,000	27,961,456	50,221,456
2040-2044	29,150,000	21,271,969	50,421,969
2045-2049	35,465,000	15,513,456	50,978,456
2050-2054	42,190,000	9,412,813	51,602,813
2055-2059	29,575,000	1,800,312	31,375,312
Totals	<u>\$ 189,078,462</u>	<u>\$ 143,235,868</u>	<u>\$ 332,314,330</u>

CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2024

E. Long-term Obligations (Continued)

There are a number of limitations and restrictions contained in the general obligation bond indentures. The District appears to be in compliance with all significant limitations and restrictions as of year-end.

Direct Borrowing

The District issued various agreements identified here as direct borrowings. These direct borrowings are made up of financing arrangements including maintenance tax notes and time warrants.

The tax maintenance note terms require annual principal and semi-annual interest payments over the life of the debt. The debt incurs interest of 2.6571% with a final maturity date of August 2030.

The time warrants were issued in 2016 and require semi-annual interest payments along with an annual principal payment. The warrants incur interest of 2.6571% with a final maturity date of August 2030.

The following schedule lists the outstanding direct borrowings at year end:

Description	Interest Rate	Original Amount	Outstanding Balance
Maintenance Tax Notes, Series 2016	2.6571%	\$ 511,000	\$ 282,000
Time Warrants, Series 2016	2.6571%	1,000,000	<u>554,000</u>
Totals			<u>\$ 836,000</u>

Maturity requirements on the direct borrowings at year end are as follows:

June 30	Principal	Interest	Requirements
2025	\$ 110,000	\$ 20,775	\$ 130,775
2026	113,000	17,809	130,809
2027	116,000	14,763	130,763
2028	119,000	11,638	130,638
2029	122,000	8,432	130,432
2030-2034	<u>256,000</u>	<u>6,863</u>	<u>262,863</u>
Totals	<u>\$ 836,000</u>	<u>\$ 80,280</u>	<u>\$ 916,280</u>

Right of Use Leases

The District executed various agreements identified here as leases. Leases represent an obligation that represents the net present value of the obligations to be paid over a specified term.

The District executed an agreement for the use of copiers and other equipment along with portable buildings at various locations throughout the District. The various agreements require monthly payments over the term of the agreement. The lease obligations incur an implicit rate of interest as noted below. The detailed schedule of the life and outstanding lease obligations is below:

Description	Terms	Interest Rate	Outstanding Balance
Xerox - Copiers	Various	11.00%	<u>73,282</u>
Totals			<u>\$ 73,282</u>

CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2024

E. Long-term Obligations (Continued)

Maturity requirements on the right of use leases at year end are as follows:

Year Ending June 30	Principal	Interest	Total Requirements
2025	\$ 60,591	\$ 5,007	\$ 65,598
2026	10,540	602	11,142
2027	2,151	88	2,239
Totals	<u>\$ 73,282</u>	<u>\$ 5,697</u>	<u>\$ 78,979</u>

Subscription - Based Information Technology Arrangements

The District executed various subscription – based information technology arrangements (SBITA) as defined by GASB Statement 96. The arrangements require annual payments for technology arrangements where the District utilized the products provided by the vendor. The District utilizes the items but has no ownership of the technology. The debt recorded is the net present value of the required payments over the life of the arrangements. The following schedule identifies the outstanding subscriptions and provides relevant information about each as of year end.

Description	Maturity Date	Interest Rate	Original Amount	Outstanding Balance
ARBITER Sports	11/30/2025	8.00%	\$ 9,722	\$ 3,347
Raptor Technologies	6/30/2025	8.00%	44,313	12,153
Spectrum VOIP	9/29/2027	8.00%	19,126	13,692
Skyward	6/30/2026	8.00%	155,382	38,399
IS Corp	6/30/2026	8.00%	10,349	4,280
Mascot Media	6/30/2026	8.00%	41,749	26,749
Totals				<u>\$ 98,620</u>

Maturity requirements on the subscription liabilities at year end are as follows:

Year Ending June 30	Principal	Interest	Total Requirements
2025	\$ 52,835	\$ 7,747	\$ 60,582
2026	40,334	3,508	43,842
2027	4,641	268	4,909
2028	810	8	818
Totals	<u>\$ 98,620</u>	<u>\$ 11,531</u>	<u>\$ 110,151</u>

CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2024

F. Defined Benefits Pension Plan

1. *Plan Description*

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

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

2. *Pension Plan Fiduciary Net Position*

Detailed information about the System's fiduciary net position is available in a separately issued Annual Comprehensive Financial Report(ACFR) that includes financial statements and required information. That report may be obtained on the internet at [http://www.trs.texas.gov/pages/about\\_publications.aspx](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. The information provided in the Notes to the Financial Statements in the 2023 ACFR for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2023, and 2022.

Net Pension Liability	2023	2022
Total Pension Liability	\$ 255,860,886,500	\$ 243,553,045,455
Less: Plan Fiduciary Net Position	(187,170,535,558)	(184,185,617,196)
Net Pension Liability	\$ 68,690,350,942	\$ 59,367,428,259
Net Position as percentage of Total Pension Liability	73.15%	75.62%

3. *Benefits Provided*

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes, including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (1) above.

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

In May 2019, the 86<sup>th</sup> Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for gradual contribution increases from the state, participating employers, and active employees to make the pension fund actuarially sound. This action causing the pension fund to be actuarially sound, allowed the legislature to approve funding for a 13<sup>th</sup> check in September 2019. All eligible members retired as of December 31, 2018, received an extra annuity check in either the matching amount of their monthly annuity or \$ 2,000, whichever was less.

CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2024

F. Defined Benefits Pension Plan (Continued)

4. *Contributions*

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

Employee contribution rates are set in state statute, Texas Government Code, Section 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86<sup>th</sup> Texas Legislature amended Texas Government Code Section 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 thru 2025.

**Contribution Rates**

	<b>2023</b>	<b>2024</b>
Member	8.00%	8.25%
Non-Employer Contributing Entity (State)	8.00%	8.25%
Employers	8.00%	8.25%
Current Period Employer Contributions		\$ 968,547
Current Period Member Contributions		\$ 1,931,864
Measurement Period NECE On-Behalf Contributions		\$ 1,128,470

Contributors to the plan include members, employers, and the State of Texas (State) 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 including public schools are required to pay the employer contribution rate in the following instances:

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

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

- 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.
- A Public Education Employer contribution surcharge of 1.7% of the member's salary beginning in fiscal year 2023, gradually increasing to 2% in fiscal year 2025 on all covered payroll.

CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2024

F. Defined Benefits Pension Plan (Continued)

5. *Actuarial Assumptions*

The total pension liability in the August 31, 2023, 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	7.00%
Municipal Bond Rate as of August 31, 2022	4.13% - The source for the rate is the Fixed Income Market Data/Yield Curve?Data Municipal bonds with 20 years to maturity that nclude only federal 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 year)	2122
Inflation	2.30%
Salary Increases including inflation	2.95% to 8.95% including inflation
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2022. For full description of these assumption please see the actuarial valuation report dated November 22, 2023.

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

Asset Class*	Target Allocation %**	Long -Term Expected Geometric Real Rate of Return***	Expected Contribution to Long Term Portfolio Returns
<b>Global Equity</b>			
USA	18.00%	4.00%	1.00%
Non-US Developed	13.00%	4.50%	0.90%
Emerging Markets	9.00%	4.80%	0.75%
Private Equity	14.00%	7.00%	1.50%
<b>Stable Value</b>			
Government Bonds	16.00%	2.50%	0.50%
Absolute Return*	0.00%	3.60%	0.00%
Stable Value Hedge Funds	5.00%	4.10%	0.20%
<b>Real Return</b>			
Real Estate	15.00%	4.90%	1.10%
Energy, Natural Resources & Infrastructure	6.00%	4.80%	0.40%
Commodities	0.00%	4.40%	0.00%
<b>Risk Parity</b>	8.00%	4.50%	0.40%
<b>Asset Allocation Leverage</b>			
Cash	2.00%	3.70%	0.00%
Asset Allocation Leverage	(6.00%)	4.40%	(0.10%)
Inflation Expectation			2.30%
Volatility Drag****			(0.90%)
<b>Expected Return</b>	<u>100%</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 6/30/2023)

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

CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2024

F. Defined Benefits Pension Plan (Continued)

For the fiscal year ended August 31, 2023, the annual money-weighted rate of return on pension plan investments was 3.84%. The annual money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

*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 8.50% of payroll in fiscal year 2020 gradually increasing to 9.55% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

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

6. *Discount Rate Sensitivity Analysis*

The following presents the District's share of the net pension liability of the plan using the discount rate of 7.00% as well as what the District's share of the net pension liability would be if it were calculated using a discount rate that is 1 – percentage point lower (6.00%) or 1 – percentage point higher (8.00%) than the current rate:

	1% Decrease	Discount Rate	1% Increase
District's proportionate share of the net pension liability	\$ 13,948,676	\$ 9,329,873	\$ 5,489,335

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

At June 30, 2024, the District reported a liability of \$ 9,329,873 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	\$ 9,329,873
State's proportionate share that is associated with the District	15,080,036
Total	\$ 24,409,909

The net pension liability was measured as of August 31, 2022 and rolled 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 contribution to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2022 thru August 31, 2023.

At August 31, 2023, the employer's proportion of the collective net pension liability was 0.0135825085%, which was an increase of 0.0027647054% from its proportion measured as of August 31, 2022.

*Changes Since the Prior Actuarial Valuation*

The actuarial assumptions and methods have been modified since the determination of the prior year's Net Pension Liability. These new assumptions were adopted in conjunction with an actuarial experience study. The primary assumption change was the lowering of the single discount rate from 7.25% to 7.00%.

CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2024

F. Defined Benefits Pension Plan (Continued)

*Changes in Benefit Provisions Since Prior Measurement Date*

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

*Pension Expense*

For the current year, the District recognized pension expense of \$ 4,181,488 and revenue of \$ 2,276,955 for support provided by the State.

The District reported its proportionate share of the system's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at year end:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual actuarial experiences	\$ 332,427	\$ 112,975
Changes of actuarial assumptions	882,423	215,949
Differences between projected and actual investment earnings	1,357,723	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	1,895,570	181,735
Total as of August 31, 2023 measurement date	\$ 4,468,143	\$ 510,659
Contributions paid to TRS subsequent to the measurement date	858,339	-
Total at fiscal year end	\$ 5,326,482	\$ 510,659

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:

<b>Year Ending June 30</b>	<b>Amount</b>
2025	\$ 883,894
2026	656,774
2027	1,547,958
2028	685,168
2029	183,689
Thereafter	1

G. Other Post-Employment Defined Benefit Plans

1. *Plan Description*

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

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



CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2024

G. Other Post-Employment Defined Benefit Plans (Continued)

2. *OPEB Plan Fiduciary Net Position*

Detail Information about the TRS-Care's fiduciary net position is available in the separately issued TRS Annual Comprehensive Financial Report (ACFR) that includes financial statements and required information. That report may be obtained on the internet at [http://www.trs.texas.gov/pages/about\\_publications.aspx](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.

The components of the Net OPEB Liability of the TRS-Care plan as of August 31, 2023, and 2022 are as follows:

Net OPEB Liability	2023	2022
Total OPEB Liability	\$ 26,028,070,267	\$ 27,061,942,520
Less: Plan Fiduciary Net Position	<u>(3,889,765,203)</u>	<u>(3,117,937,218)</u>
Net OPEB Liability	<u>\$ 22,138,305,064</u>	<u>\$ 23,944,005,302</u>
Net Position as percentage of Total OPEB Liability	14.94%	11.52%

3. *Benefits Provided*

TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

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

4. *Contributions*

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

Texas Insurance Code, Section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of pay. Section 1575.204 establishes an employer (public school) contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the employer. The actual employer contribution rate is prescribed by the State Legislature in the General Appropriations Act. The following table shows contribution rates and amounts provided 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 Period Employer Contributions		\$ 204,060
Current Period Member Contributions		\$ 152,861
Measurement Year NECE On-Behalf Contributions		\$ 206,239

CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2024

G. Other Post-Employment Defined Benefit Plans (Continued)

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

A supplemental appropriation was received in 2023 for \$ 21.3 million provided by Rider 14 of the Senate Bill GAA of the 87<sup>th</sup> legislature. These amounts were re-appropriated from amounts received by the pension and TRS-Care funds in excess of the state's actual obligation and then transferred to TRS-Care. The premium rates for retirees are reflected in the following table.

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

5. *Actuarial Assumptions*

The actuarial valuation was performed as of August 31, 2022. Updated procedures were used to roll forward the total OPEB liability to August 31, 2023. The actuarial valuation was determined using the following actuarial assumptions.

The actuarial valuation of TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, rates of retirement, termination, and disability including general inflation and salary increases are identical to those used in the respective TRS Pension valuation. These assumptions were developed in the experience study performed for TRS for the measurement period ended August 31, 2022. 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	General Inflation	Rates of Retirement
Wage Inflation	Rates of Termination	Salary Increases
Rates of Disability		

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the mortality projection scale MP-2018.

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 2022 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from mortality projection scale U-MP – 2022.

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2022 rolled forward to August 31, 2023
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate	4.13% as of August 31, 2023
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Salary Increases	2.95% to 8.95%, including inflation
Ad hoc post-employment benefit changes	None

CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2024

G. Other Post-Employment Benefit Plans (Continued)

*Health Care Trend Rates*

The initial medical trend rates were 7.75% for Medicare retirees and 7.00% for Non-Medicare retirees. There was an initial prescription drug trend rate of 7.75% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 12 years.

*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 projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutory required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB Liability.

The source of the municipal bond rate is the Fidelity “20-year Municipal GO AA Index” as of August 31, 2022 using the Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds.

6. *Discount Rate Sensitivity Analysis*

The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% greater than the discount rate that was used (4.13%) in measuring the net OPEB liability as well as what the net OPEB liability would be if it were calculated using a discount rate of 1% less than the rate used.

	1% Decrease	Discount Rate	1% Increase
District’s proportionate share of the net OPEB liability	\$ 5,137,405	\$ 4,361,896	\$ 3,729,062

7. *Healthcare Cost Trend Rates Sensitivity Analysis*

The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate (8.25%), as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District’s proportionate share of the net OPEB liability	\$ 3,591,803	\$ 4,361,896	\$ 5,352,623

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

At June 30, 2024, the District reported a liability of \$ 4,361,896 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	\$ 4,361,896
State’s proportionate share that is associated with the District	5,263,298
Total	\$ 9,625,194

CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2024

G. Other Post-Employment Benefit Plans (Continued)

The net pension liability was measured as of August 31, 2022 and rolled 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 contribution to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2022 thru August 31, 2023.

At August 31, 2023, the District's proportion of the collective net OPEB liability was 0.0197029367%, which was an increase of 0.0041715037% from its proportion measured as of August 31, 2022.

*Change Since the Prior Actuarial Valuation*

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

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

*Changes of Benefit Terms Since the Prior Measurement Date*

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

*OPEB Expense*

The amount of OPEB expense recognized by the District in the reporting period was (\$ 1,451,943) and revenue of (\$ 1,125,182) for support provided by the State.

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual actuarial experiences	\$ 197,343	\$ 3,669,709
Changes in actuarial assumptions	595,367	2,670,905
Differences between projected and actual investment earnings	1,885	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	3,754,033	-
Total as of August 31, 2023 measurement date	\$ 4,548,628	\$ 6,340,614
Contributions paid to TRS subsequent to the measurement date	176,873	-
Total at fiscal period end	\$ 4,725,501	\$ 6,340,614

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

<b>Year Ending June 30</b>	<b>Amount</b>
2025	\$ (662,899)
2026	(462,839)
2027	(191,990)
2028	(340,715)
2029	(257,515)
Thereafter	123,972

CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2024

H. Medicare Part D Coverage

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care receives retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended June 30, 2024, 2023 and 2022, the subsidy payments received by TRS-Care on behalf of the District were \$ 129,206, \$ 107,263, and \$ 66,682, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statement of the District.

I. Risk Management

Health Care

During the year, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$ 300 per month per employee and employees, at their opinion, authorized payroll withholdings to provide dependents coverage under the Plan. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the District and Blue Cross Blue Shield of Texas is renewable September 1 of each year and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for Blue Cross Blue Shield of Texas are available for the year ended December 31, 2022, and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records

Workers Compensation

During the year, the District met its statutory worker's compensation obligation through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory worker's compensation benefits to its member's injured employees.

The fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$ 2 million. The Fund uses the service of an independent actuary to determine reserve adequacy and fully funds the reserves. As of August 31, 2023, the Fund carries a discount reserve of \$ 48,919,036 for future development on reported claims and claims that have been insured but not yet reported. For the current year, the fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions.

The fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2023, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

Unemployment Compensation Pool

During the current year, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued each month until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for Unemployment Compensation pool.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2023 are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2024

I. Risk Management (Continued)

Auto, Liability and Property Programs

During the year, the District participated in the following TASB Risk Management Fund (the Fund) programs:

Auto Liability and Physical Damage	General and School Board Liability
Privacy & Information Security	Cyber Security
Property & Casualty	

The Fund was created and is operated under the provision of the interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreement that define the responsibilities of the parties.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for its Auto, Liability and Property programs. The terms and limits of the stop-loss program vary by line of coverage. The fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the current year, the Fund anticipates that the District has no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2023, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

Other Risk Management

The District is exposed to various risks of loss related to torts; theft of damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2024, the District purchased commercial insurance to cover these liabilities. There were not 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.

J. Litigation

The District appears to have no pending litigation as of June 30, 2024.

K. Commitments and Contingencies

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

The effects of the coronavirus-19 (COVID-19) pandemic continues to affect the District's operations including funding for student attendance and operating programs and cost. Continued funding allowances including additional federal funding will cease in future periods. The operational costs associated with these additional revenues will be evaluated along with the need for these services. The cost of the additional federal funded programs may exceed the available resources and require the District to either eliminate or curtail their existence.

L. Subsequent Events

Management has evaluated all events or transactions that occurred after June 30, 2024, up through October 4, 2024, the date the financial statements were issued.

CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2024

M. Shared Service Arrangements

The District participates in cooperative programs with other local districts. The District does not account for revenue or expenditures of these programs and does not disclose them in these financial statements.

<u>Shared Service Arrangements</u>	<u>Fiscal Agent</u>	<u>Service</u>
Hunt County Cooperative	Lone Oak Independent School District	Administrative and Support Services
NETCAT Consortium	Commerce Independent School District	Vocational Programs

N. Revenue from Local and Intermediate Sources

During the year, the District received revenue from local and intermediate in the District's major funds and aggregate non major funds consisting of the following:

	General	Debt Service	Capital Project	Other Governmental	Totals
Property Tax Collections	\$ 9,557,499	\$ 6,283,736	\$ -	\$ -	\$ 15,841,235
Tuition & Fees	94,000	-	-	-	94,000
Investment Income	568,282	334,727	3,760,689	32,081	4,695,779
Food Service Income	-	-	-	622,763	622,763
Cocurricular/Extracurricular Activities	162,747	-	-	241,472	404,219
Donations	-	-	-	162,180	162,180
Insurance Recovery	42,807	-	-	-	42,807
Rent	23,823	-	-	-	23,823
Other	32,207	7,840	-	20,113	60,160
	-	-	-	-	-
Total	<u>\$ 10,481,365</u>	<u>\$ 6,626,303</u>	<u>\$ 3,760,689</u>	<u>\$ 1,078,609</u>	<u>\$ 21,946,966</u>

O. Receivables

Receivables at year end, for the District's individual major funds and aggregate nonmajor funds, including any applicable allowances for uncollectible accounts are as follows:

	General	Debt Service	Capital Projects	Other Governmental	Totals
Due from Other Governments	\$ 7,129,817	\$ 417,363	\$ -	\$ 147,714	\$ 7,694,894
Property Taxes Receivable	461,047	233,141	-	-	694,188
Less: Allowance for Uncollectible Property Taxes	(46,105)	(23,314)	-	-	(69,419)
Other Receivables	-	-	-	1,291	1,291
Net Receivables	<u>\$ 7,544,759</u>	<u>\$ 627,190</u>	<u>\$ -</u>	<u>\$ 149,005</u>	<u>\$ 8,320,954</u>

P. State Aid Reconciliation

The State provides various types of funding for local school districts as provided for in state statute. The following reconciliation presents funding earned by the District in each category presented. Because of the State's delay in reconciling the funding to local districts, the summary below represents an estimate of earnings. The settle up with the State will occur some 9 to 10 months following the fiscal year end.



CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2024

P. State Aid Reconciliation (Continued)

Funding is earned for: 1) Available – annual allocation based on prior year enrollment; 2) Foundation – annual allocation based on student attendance, property tax collections and valuations, and special student population; 3) Instructional Facilities Allotment – based on property wealth; and 4) Existing Debt Allotment – based on eligible debt, student attendance and property wealth. Various other sources are received but not reconciled here as these are the major sources of funding.

	Available	Foundation	IFA	EDA
Current Year Earnings	\$ 1,033,426	\$ 20,246,469	Not	\$ 877,923
Prior Year Settle Up	-	(5,558)	Eligible	20,489
Financial Statement Earnings	<u>\$ 1,033,426</u>	<u>\$ 20,240,911</u>	<u>\$ -</u>	<u>\$ 898,412</u>
Details:				
Scheduled Payments	\$ 181,168	\$ 5,351,541	\$ -	\$ -
Settleup Balance	-	1,595,764	-	417,363
Receivable (Overpayment) *	<u>\$ 181,168</u>	<u>\$ 6,947,305</u>	<u>\$ -</u>	<u>\$ 417,363</u>

\* Overpayments are represented in the financial statements as Unearned Revenue (government-wide and governmental).

Q. Change in Accounting Principle

The Governmental Accounting Standards Board (GASB) issued Statement 96, *Subscription-Based Information Technology Arrangements*, with an effective date of fiscal year beginning after June 15, 2023. This required the District to implement the provisions of the Statement during the year. The Statement requires the recognition of longer than 12 month agreements to utilize other types of subscription based technology. As such there are new financial statement captions on the government wide financial statements. For the fund financial statements, the net present value of the payments is recognized as an expenditure in the initial year of the agreement with subsequent payments represented as debt retirement payments. The Statement requires retroactive restatement of assets and liabilities with the difference modifying the beginning net position.

R. Prior Period Adjustments

During the year, the District identified additional SBITA'S requiring the reclassification and establishment of additional asset and liability accounts. The change requires an adjustment to the beginning net position. The identification effects only the government-wide financial statements. Beginning net position has decreased by \$ 1,011 from \$ 4,102,622 to \$ 4,101,611.



REQUIRED SUPPLEMENTARY INFORMATION

CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED JUNE 30, 2024

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget	
	Original	Final		Positive (Negative)	
<b>REVENUES</b>					
5700	Local and Intermediate Sources	\$ 13,371,251	\$ 10,107,961	\$ 10,481,365	\$ 373,404
5800	State Program Revenues	18,082,193	20,419,302	22,927,296	2,507,994
5900	Federal Program Revenues	220,000	220,000	167,032	(52,968)
<b>5020</b>	<b>Total Revenues</b>	<b>\$ 31,673,444</b>	<b>\$ 30,747,263</b>	<b>\$ 33,575,693</b>	<b>\$ 2,828,430</b>
<b>EXPENDITURES</b>					
Current:					
Instruction and Instructional Related Services:					
0011	Instruction	\$ 17,508,589	\$ 20,064,189	\$ 19,391,782	\$ 672,407
0012	Instructional Resources and Media Services	437,764	464,314	428,691	35,623
0013	Curriculum and Staff Development	560,905	613,255	581,578	31,677
	Total Instruction and Instr. Related Services	<u>\$ 18,507,258</u>	<u>\$ 21,141,758</u>	<u>\$ 20,402,051</u>	<u>\$ 739,707</u>
Instructional and School Leadership:					
0021	Instructional Leadership	\$ 319,322	\$ 344,072	\$ 314,068	\$ 30,004
0023	School Leadership	1,944,580	2,041,130	1,942,055	99,075
	Total Instructional and School Leadership	<u>\$ 2,263,902</u>	<u>\$ 2,385,202</u>	<u>\$ 2,256,123</u>	<u>\$ 129,079</u>
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	\$ 846,303	\$ 875,653	\$ 795,786	\$ 79,867
0033	Health Services	286,047	336,297	310,468	25,829
0034	Student Transportation	1,497,042	1,594,292	1,366,341	227,951
0036	Cocurricular/Extracurricular Activities	1,489,828	1,814,628	1,769,523	45,105
	Total Support Services - Student (Pupil)	<u>\$ 4,119,220</u>	<u>\$ 4,620,870</u>	<u>\$ 4,242,118</u>	<u>\$ 378,752</u>
Administrative Support Services:					
0041	General Administration	\$ 1,576,034	\$ 1,661,934	\$ 1,538,262	\$ 123,672
	Total Administrative Support Services	<u>\$ 1,576,034</u>	<u>\$ 1,661,934</u>	<u>\$ 1,538,262</u>	<u>\$ 123,672</u>
Support Services - Nonstudent Based:					
0051	Facilities Maintenance and Operations	\$ 3,169,354	\$ 3,349,454	\$ 3,109,381	\$ 240,073
0052	Security and Monitoring Services	193,148	421,398	366,415	54,983
0053	Data Processing Services	137,578	143,228	136,135	7,093
	Total Support Services - Nonstudent Based	<u>\$ 3,500,080</u>	<u>\$ 3,914,080</u>	<u>\$ 3,611,931</u>	<u>\$ 302,149</u>
Debt Service:					
0071	Principal on Long-Term Debt	\$ 205,000	\$ 355,000	\$ 314,166	\$ 40,834
0072	Interest on Long-Term Debt	30,000	30,000	23,704	6,296
	Total Debt Service	<u>\$ 235,000</u>	<u>\$ 385,000</u>	<u>\$ 337,870</u>	<u>\$ 47,130</u>
Capital Outlay:					
0081	Capital Outlay	\$ 80,000	\$ 80,000	\$ -	\$ 80,000
	Total Capital Outlay	<u>\$ 80,000</u>	<u>\$ 80,000</u>	<u>\$ -</u>	<u>\$ 80,000</u>
Intergovernmental Charges:					
0093	Payments for Shared Service Arrangements	\$ 30,000	\$ 30,000	\$ 22,394	\$ 7,606
0099	Other Intergovernmental Charges	351,000	351,000	324,908	26,092
	Total Intergovernmental Charges	<u>\$ 381,000</u>	<u>\$ 381,000</u>	<u>\$ 347,302</u>	<u>\$ 33,698</u>
<b>6030</b>	<b>Total Expenditures</b>	<b>\$ 30,662,494</b>	<b>\$ 34,569,844</b>	<b>\$ 32,735,657</b>	<b>\$ 1,834,187</b>
1100	Excess (Deficiency) of Revenues Over Expenditures	\$ 1,010,950	\$ (3,822,581)	\$ 840,036	\$ 4,662,617
<b>OTHER FINANCING SOURCES (USES)</b>					
7915	Transfer In	\$ -	\$ -	\$ 97,267	\$ 97,267
<b>7080</b>	<b>Net Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 97,267</b>	<b>\$ 97,267</b>
<b>1200</b>	<b>Net Change in Fund Balance</b>	<b>\$ 1,010,950</b>	<b>\$ (3,822,581)</b>	<b>\$ 937,303</b>	<b>\$ 4,759,884</b>
0100	Fund Balance - Beginning (July 1)	11,735,848	11,735,848	11,735,848	-
<b>3000</b>	<b>Fund Balance - Ending (June 30)</b>	<b>\$ 12,746,798</b>	<b>\$ 7,913,267</b>	<b>\$ 12,673,151</b>	<b>\$ 4,759,884</b>

CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
 SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 TEACHER RETIREMENT SYSTEM OF TEXAS  
 YEAR ENDED JUNE 30, 2024

	<u>2022*</u>	<u>2022*</u>	<u>2021*</u>	<u>2020*</u>	<u>2019*</u>
District's proportion of the net pension liability	0.0135820850%	0.0108178031%	0.0088042921%	0.0078917316%	0.00903495%
District's proportionate share of the net pension liability	\$ 9,329,873	\$ 6,422,251	\$ 2,242,142	\$ 4,226,650	\$ 4,696,647
State's proportionate share of the net pension liability associated with the District	<u>15,080,036</u>	<u>11,680,269</u>	<u>4,903,547</u>	<u>9,773,537</u>	<u>8,495,994</u>
Total	<u>\$ 24,409,909</u>	<u>\$ 18,102,520</u>	<u>\$ 7,145,689</u>	<u>\$ 14,000,187</u>	<u>\$ 13,192,641</u>
District's covered-employee payroll (for Measurement Year)	\$ 19,373,059	\$ 15,779,648	\$ 14,114,460	\$ 12,327,320	\$ 11,293,575
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	48.16%	40.70%	15.89%	34.29%	41.59%
Plan fiduciary net position as a percentage of the total pension liability	73.15%	75.62%	88.79%	75.54%	75.24%
	<u>2018*</u>	<u>2017*</u>	<u>2016*</u>	<u>2015*</u>	<u>2014*</u>
District's proportion of the net pension liability	0.0084722598%	0.0079542837%	0.0077941538%	0.0077877000%	0.0044742000%
District's proportionate share of the net pension liability	\$ 4,663,337	\$ 2,543,351	\$ 2,945,295	\$ 2,752,848	\$ 1,195,121
State's proportionate share of the net pension liability associated with the District	<u>8,918,885</u>	<u>5,204,390</u>	<u>6,146,560</u>	<u>5,817,266</u>	<u>4,868,198</u>
Total	<u>\$ 13,582,222</u>	<u>\$ 7,747,741</u>	<u>\$ 9,091,855</u>	<u>\$ 8,570,114</u>	<u>\$ 6,063,319</u>
District's covered-employee payroll (for Measurement Year)	\$ 10,467,182	\$ 9,842,872	\$ 8,685,690	\$ 8,570,114	\$ 6,063,319
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	44.55%	25.84%	33.91%	32.12%	19.71%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	82.17%	78.00%	78.43%	83.25%

\* The years above present data for the measurement period ending date. The measurement period represents the period for which the pension plan prepares its reports which provides a 10 month delay for financial reporting in accordance with GASB 68.

CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DISTRICT CONTRIBUTIONS - FOR PENSIONS  
 TEACHER RETIREMENT SYSTEM OF TEXAS  
 YEAR ENDED JUNE 30, 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Contractually required contributions	\$ 968,547	\$ 668,577	\$ 483,226	\$ 364,006	\$ 323,444
Contributions in relations to the contractual required contributions	<u>(968,547)</u>	<u>(668,577)</u>	<u>(483,226)</u>	<u>(364,006)</u>	<u>(323,444)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 23,538,323	\$ 18,826,313	\$ 15,356,214	\$ 13,780,363	\$ 12,193,783
Contributions as a percentage of covered employee payroll	4.11%	3.55%	3.15%	2.64%	2.65%
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 315,932	\$ 285,409	\$ 258,055	\$ 248,121	\$ 224,335
Contributions in relations to the contractual required contributions	<u>(315,932)</u>	<u>(285,409)</u>	<u>(258,055)</u>	<u>(248,121)</u>	<u>(224,335)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 11,293,575	\$ 10,467,182	\$ 9,842,872	\$ 8,685,690	\$ 8,855,981
Contributions as a percentage of covered employee payroll	2.80%	2.73%	2.62%	2.86%	2.53%

CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
YEAR ENDED JUNE 30, 2024

	<u>2023*</u>	<u>2022*</u>	<u>2021*</u>	<u>2020*</u>
District's proportion of the Net OPEB Liability (Asset)	0.0197029367%	0.0155314330%	0.0135207801%	0.0126806763%
District's proportionate share of the Net OPEB Liability (Asset)	\$ 4,361,896	\$ 3,718,847	\$ 5,215,569	\$ 4,820,498
State's proportionate share of the Net OPEB Liability (Asset) associated with the District	<u>5,263,298</u>	<u>4,536,409</u>	<u>6,987,700</u>	<u>6,477,593</u>
Total	<u>\$ 9,625,194</u>	<u>\$ 8,255,256</u>	<u>\$ 12,203,269</u>	<u>\$ 11,298,091</u>
District's covered-employee payroll (for Measurement Year)	\$ 19,373,059	\$ 15,779,648	\$ 14,114,460	\$ 12,327,320
District's proportionate share of the Net OPEB Liability as a percentage of it's covered-employee payroll	22.52%	23.57%	36.95%	39.10%
Plan fiduciary net position as a percentage of the Total OPEB Liability	14.94%	11.52%	6.18%	4.99%
	<u>2019*</u>	<u>2018*</u>	<u>2017*</u>	
District's proportion of the Net OPEB Liability (Asset)	0.0125229105%	0.0119904548%	0.0110045926%	
District's proportionate share of the Net OPEB Liability (Asset)	\$ 5,922,239	\$ 5,986,944	\$ 4,785,484	
State's proportionate share of the Net OPEB Liability (Asset) associated with the District	<u>7,869,329</u>	<u>9,183,066</u>	<u>7,932,148</u>	
Total	<u>\$ 13,791,568</u>	<u>\$ 15,170,010</u>	<u>\$ 12,717,632</u>	
District's covered-employee payroll (for Measurement Year)	\$ 11,293,575	\$ 10,467,182	\$ 9,842,872	
District's proportionate share of the Net OPEB Liability as a percentage of it's covered-employee payroll	52.44%	57.20%	48.62%	
Plan fiduciary net position as a percentage of the Total OPEB Liability	2.66%	1.57%	0.91%	

Note: Only seven years of data is presented in accordance with GASB 75 paragraph 245. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

\* The years above present data for the measurement period ending date. The measurement period represents the period for which the pension plan prepares its reports which provides a 10 month delay for financial reporting in accordance with GASB 75.

CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S OPEB CONTRIBUTIONS  
TEACHER RETIREMENT SYSTEM OF TEXAS  
YEAR ENDED JUNE 30, 2024

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually required contributions	\$ 204,060	\$ 166,748	\$ 122,814	\$ 102,979
Contributions in relations to the contractual required contributions	<u>(204,060)</u>	<u>(166,748)</u>	<u>(122,814)</u>	<u>(102,979)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 23,538,323	\$ 18,826,313	\$ 15,356,214	\$ 13,780,363
Contributions as a percentage of covered employee payroll	0.87%	0.89%	0.80%	0.75%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	
Contractually required contributions	\$ 95,453	\$ 88,801	\$ 82,717	
Contributions in relations to the contractual required contributions	<u>(95,453)</u>	<u>(88,801)</u>	<u>(82,717)</u>	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
District's covered employee payroll	\$ 12,193,783	\$ 11,293,575	\$ 10,467,182	
Contributions as a percentage of covered employee payroll	0.78%	0.79%	0.79%	

Note: Only seven years of data is presented in accordance with GASB 75, paragraph 245. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2024

A. Budget

The official budget was prepared for adoption for all Government Fund Types. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

1. Prior to June 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning July 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
3. Prior to July 1, the budget is legally enacted through passage of a resolution by the Board.

Once a budget is approved, it can be amended at 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. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end as required by law.

Each amendment 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.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse on June 30, and encumbrances outstanding at the time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

B. Defined Benefit Pension Plan

1. Changes of Assumptions Since the Prior Measurement Date

No actuarial assumptions and methods have been modified since the determination of the prior year net pension liability.

2. Changes of Benefit Terms Since the Prior Measurement Date

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

C. OPEB Healthcare Plan

1. Changes of Assumptions Since the Prior Measurement Date

The single discount rate changed from 3.91% as of last year to 4.13% at August 31, 2023.

2. Changes of Benefit Terms Since the Prior Measurement Date

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

OTHER SUPPLEMENTARY INFORMATION



CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
 YEAR ENDED JUNE 30, 2024

Tax Roll Year	Last Ten Years Ended June 30	1 Tax Rates		3 Assessed/Appraised Value For School Tax Purposes	10 Beginning Balance 7/1/2023	20 Current Year's Total Levy	30 Maintenance Tax Collections	30a Debt Service Tax Collections	40 Entire Year's Adjustments	50 Ending Balance 6/30/2024	Section 26.115 Tax Refunds
		Maintenance	2 Debt Service								
XXX	2015 & Prior	Various	Various	Various	90,395	\$ -	2,018	1,023	(4,300)	83,054	-
2015	2016	1.040000	0.461000	370,182,686	19,744	-	679	271	-	18,794	-
2016	2017	1.040000	0.415000	367,250,944	21,579	-	824	329	-	20,426	-
2017	2018	1.040000	0.415000	391,350,928	28,029	-	777	310	(1,000)	25,942	-
2018	2019	1.040000	0.415000	453,113,067	30,699	-	1,160	283	-	29,256	-
2019	2020	1.170000	0.285000	516,709,633	36,963	-	2,261	603	(260)	33,839	-
2020	2021	1.068350	0.285000	603,786,285	43,563	-	3,429	1,006	1	39,129	-
2021	2022	0.971600	0.285000	691,311,569	106,940	-	10,643	5,542	(23,201)	67,554	-
2022	2023	0.960300	0.500000	844,050,362	358,403	-	51,957	27,551	(158,689)	120,206	-
2023	2024	0.757500	0.500000	1,286,356,262	-	16,175,930	9,396,112	6,202,046	(321,784)	255,988	334,343
<b>1000</b>	<b>TOTALS</b>				<b>\$ 736,315</b>	<b>\$ 16,175,930</b>	<b>\$ 9,469,860</b>	<b>\$ 6,238,964</b>	<b>\$ (509,233)</b>	<b>\$ 694,188</b>	<b>\$ 334,343</b>

CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
 SCHOOL BREAKFAST AND NATIONAL SCHOOL LUNCH PROGRAM  
 BUDGETARY COMPARISON SCHEDULE  
 YEAR ENDED JUNE 30, 2024

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
<b>REVENUES</b>					
5700	Local and Intermediate Sources	\$ 565,000	\$ 565,000	\$ 655,300	\$ 90,300
5800	State Program Revenues	51,598	51,598	48,616	(2,982)
5900	Federal Program Revenues	696,134	776,134	765,472	(10,662)
<b>5020</b>	<b>Total Revenues</b>	<b>\$ 1,312,732</b>	<b>\$ 1,392,732</b>	<b>\$ 1,469,388</b>	<b>\$ 76,656</b>
<b>EXPENDITURES</b>					
Support Services - Student (Pupil):					
0035	Food Services	\$ 1,312,732	\$ 1,510,632	\$ 1,443,703	\$ 66,929
	Total Support Services - Student (Pupil)	\$ 1,312,732	\$ 1,510,632	\$ 1,443,703	\$ 66,929
<b>6030</b>	<b>Total Expenditures</b>	<b>\$ 1,312,732</b>	<b>\$ 1,510,632</b>	<b>\$ 1,443,703</b>	<b>\$ 66,929</b>
Excess (Deficiency) of Revenues Over Expenditures					
1100	Expenditures	\$ -	\$ 1,510,632	\$ 25,685	\$ (1,484,947)
<b>OTHER FINANCING SOURCES (USES)</b>					
7915	Transfer In	\$ -	\$ -	\$ 1,656	\$ 1,656
7080	<b>Net Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,656</b>	<b>\$ 1,656</b>
<b>1200</b>	<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ (117,900)</b>	<b>\$ 27,341</b>	<b>\$ 145,241</b>
0100	Fund Balance - Beginning (July 1)	462,118	462,118	462,118	-
<b>3000</b>	<b>Fund Balance - Ending (June 30)</b>	<b>\$ 462,118</b>	<b>\$ 344,218</b>	<b>\$ 489,459</b>	<b>\$ 145,241</b>

CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
DEBT SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED JUNE 30, 2024

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
<b>REVENUES</b>					
5700	Local and Intermediate Sources	\$ 6,884,349	\$ 6,369,727	\$ 6,626,303	\$ 256,576
5800	State Program Revenues	-	-	898,412	898,412
<b>5020</b>	<b>Total Revenues</b>	<b>\$ 6,884,349</b>	<b>\$ 6,369,727</b>	<b>\$ 7,524,715</b>	<b>\$ 1,154,988</b>
<b>EXPENDITURES</b>					
Debt Service:					
0071	Principal on Long-term Debt	\$ 3,464,924	\$ 3,464,924	\$ 1,550,000	\$ 1,914,924
0072	Interest on Long-term Debt	3,413,425	3,413,425	5,253,568	(1,840,143)
0073	Debt Issuance Costs and Fees	6,000	6,000	4,910	1,090
	Total Debt Service	<u>\$ 6,884,349</u>	<u>\$ 6,884,349</u>	<u>\$ 6,808,478</u>	<u>\$ 75,871</u>
<b>6030</b>	<b>Total Expenditures</b>	<b>\$ 6,884,349</b>	<b>\$ 6,884,349</b>	<b>\$ 6,808,478</b>	<b>\$ 75,871</b>
1100	Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ (514,622)	\$ 716,237	\$ 1,230,859
<b>1200</b>	<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ (514,622)</b>	<b>\$ 716,237</b>	<b>\$ 1,230,859</b>
0100	Fund Balance - Beginning July 1)	6,977,644	6,977,644	6,977,644	-
<b>3000</b>	<b>Fund Balance - Ending (June 30)</b>	<b><u>\$ 6,977,644</u></b>	<b><u>\$ 6,463,022</u></b>	<b><u>\$ 7,693,881</u></b>	<b><u>\$ 1,230,859</u></b>

CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS  
 AS OF JUNE 30, 2024

<u>Data Control Codes</u>		<u>Response</u>
SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources information concerning nonpayment of any terms of any debt agreement at fiscal period end?	No
SF3	Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?  Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 days from the date the warrant hold was issued.  Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was issued.	Yes
SF4	Was the school district issued a warrant hold? Even if the issue surrounding the initial hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold.	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state or federal funds?	No
SF7	Did the school post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school districts fiscal period-end?	Yes
SF8	Did the school board members discuss the school districts property value at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal period-end.	\$ 3,403,866

CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REQUIRED RESPONSES TO  
 STATE MANDATED PROGRAM REQUIREMENTS  
 YEAR ENDED JUNE 30, 2024

<u>Data Control Codes</u>		<u>Response</u>
<b><u>Section A: Compensatory Education Programs</u></b>		
<u>AP1</u>	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
<u>AP2</u>	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
<u>AP3</u>	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$ 1,391,159
<u>AP4</u>	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28, 29, 30, 34)	\$ 1,398,737
<b><u>Section B: Bilingual Education Programs</u></b>		
<u>AP5</u>	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
<u>AP6</u>	Does the LEA have written policies and procedures for its bilingual education program?	Yes
<u>AP7</u>	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$ 114,817
<u>AP8</u>	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PIC's 25, 35)	\$ 126,648

FEDERAL AWARDS SECTION

CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2024

(01) Federal Grantor/ Pass Through Grantor/ Program Title	(02) Federal ALN Number	(02A) Pass-Through Grantor Identifying Number	(03) Federal Expenditures
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
Passed through the Texas Education Agency:			
ESSA Title I Part A - Improving Basic Programs <i>Total ALN 84.010</i>	84.010a	24610101116901	\$ 180,786 <u>180,786</u>
IDEA - B, Formula - B*	84.027a	246600011169016600	424,756
IDEA - B, Formula - B*	84.027a	236600011169016600	46,921
IDEA - B, Formula - High Cost - B*	84.027a	66002406	80,507
IDEA - B, Formula - High Cost - B*	84.027a	66002306	40,817
IDEA - B, Formula - ARP - Carryover - B*	84.027x	225350021169015350	531
<i>Total ALN 84.027</i>			<u>593,532</u>
IDEA - B, Preschool - B*	84.173a	246610011169016610	3,074
IDEA - B, Preschool - B*	84.173a	236610011169016610	756
<i>Total ALN 84.173</i>			<u>3,830</u>
ESSA Title II Part A - Supporting Effective Education	84.367a	24694501116901	51,414
ESSA Title II Part A - Supporting Effective Education <i>Total ALN 84.367</i>	84.367a	23694501116901	51 <u>51,465</u>
Elementary and Secondary Schools Emergency Relief - III - C <i>Total ALN 84.425</i>	84.425u	21528001116901	<u>139,013</u> <u>139,013</u>
ESSA Title IV Part A - Student Support & Academic Achievement	84.424a	24680101116901	13,837
ESSA Title IV Part A - Student Support & Academic Achievement <i>Total ALN 84.424</i>	84.424a	23680101116901	10,110 <u>23,947</u>
Total Passed through Texas Education Agency			<u>992,573</u>
Passes through Education Service Center, Region 10:			
ESSA Title III -English Language Acquisition <i>Total ALN 84.365</i>	84.365a	24671001057950	9,303 <u>9,303</u>
Passes through Education Service Center, Region 10			<u>9,303</u>
<b>Total Department of Education</b>			<b><u>1,001,876</u></b>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
Passed through the Texas Department of Agriculture:			
School Breakfast Program - A	10.553	00619	138,232
National School Lunch Program - A	10.555	00619	485,891
National School Lunch Program - Supply Chain Assistance Grant - A	10.555	00619	80,000
USDA Food Distribution	10.565	091012A	61,349
<b>Total Department of Agriculture</b>			<b><u>765,472</u></b>
<b>Total Expenditures of Federal Awards</b>			<b><u>\$ 1,767,348</u></b>

\* Denotes Major Program

A - Child Nutrition Cluster - Total Cluster - \$ 704,123

B - Special Education Cluster - Total Cluster - \$ 597,362

C - Education Stabilization Cluster - Cluster Total \$ 139,013

The accompanying notes are an integral part of this statement.

CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2024

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal activity of the Caddo Mills Independent School District and is presented on the modified accrual basis of accounting. Expenditures are recognized in the accounting period in which a fund liability occurs. Funds are considered earned to the extent of expenditures made.

The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

B. Summary of Significant Accounting Policies

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 expenditures were accounted for in the General Fund and Special Revenue Funds which are governmental fund types. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Federal grants are considered to be earned to the extent of expenditures made under the provisions of the grant.

C. Food Distribution

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and used. No provision has been made for amounts on hand on June 30, 2024.

D. Indirect Cost

The District has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

E. Reconciliation of Federal Revenue with Financial Statements

The District records amounts received from the federal government or other recipients of federal grant as federal revenue in the financial statements. This reconciliation identifies the difference between the financial statement revenues and the schedule of expenditures of federal awards:

Total Federal Expenditures (Exhibit K-1)	\$ 1,767,348
School Health and Resources (SHARS)	167,032
Federal Revenue (Exhibit C-3)	\$ 1,934,380



**APPENDIX C**  
**Opinion of Bond Counsel**

**Proposed Form of Opinion of Bond Counsel**

*An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.*

**CADDO MILLS INDEPENDENT SCHOOL DISTRICT  
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2024**

**IN THE AGGREGATE PRINCIPAL AMOUNT OF \$35,000,000 <sup>1</sup>**

---

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

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

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

**IT IS FURTHER OUR OPINION**, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual or corporate alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds.

---

<sup>1</sup> Preliminary, subject to pricing.



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

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

**EXCEPT AS STATED ABOVE**, we express no opinion as to any other federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Bonds. We express no opinion as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

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

**OUR SOLE ENGAGEMENT** in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering our opinions with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the



Issuer as to the current outstanding indebtedness of, and assessed valuation of taxable property within the Issuer. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

Respectfully,

**APPENDIX D**

**The Permanent School Fund Guarantee Program**

## THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM FOR THE BONDS

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.

During the 87th Regular Session of the Texas Legislature (the “87th Regular Session”), which concluded on May 31, 2021, Senate Bill 1232 (“SB 1232”) was enacted and became effective on September 1, 2021. SB 1232 provided for a variety of changes to the operations and management of the Fund, including the creation of the Permanent School Fund Corporation (the “PSF Corporation”), and the delegation of responsibility to manage the portion of the Fund previously under the management supervision of the State Board of Education (the “SBOE”) to the PSF Corporation. SB 1232 also required changes with respect to the management of certain investments previously made at the discretion of the Texas School Land Board (the “SLB”), including limiting the types of investments that may be made by the SLB and mandating the transfer of cash and certain other investment properties from the SLB to the PSF Corporation.

The regular session of the 88th Texas Legislature (the “Legislature”) was held from January 10, 2023, to May 29, 2023. As of the date of this disclosure, there have been four special sessions held, with the fourth special session ending December 5, 2023. The Texas Governor may call one or more additional special sessions. During this time, the Legislature may enact laws that materially change current law as it relates to the Guarantee Program, the TEA, the SBOE, the Act, the PSF Corporation, 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”). Due to the establishment of the PSF Corporation, the most recent financial statements include several restatements related thereto. The SLB’s 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 of 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, 2023, 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, 2023, 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, 2023, and for a description of the financial results of the PSF for the year ended August 31, 2023, the most recent year for which audited financial information regarding the Fund is available. The 2023 Annual Report speaks only as of its date and the TEA has not obligated itself to update the 2023 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/bond-guarantee-program/> and with the MSRB at [www.emma.msrb.org](http://www.emma.msrb.org). Such monthly updates regarding the Guarantee Program are also incorporated herein and made a part hereof for all purposes. In addition to the Web Site Materials, the Fund is required to make quarterly filings with the SEC under Section 13(f) of the Securities Exchange Act of 1934. Such filings, which consist of a list of the Fund’s holdings of securities specified in Section 13(f), including exchange-traded (e.g., NYSE) or NASDAQ-quoted stocks, equity options and warrants, shares of closed-end investment companies and certain convertible debt securities, are available from the SEC at [www.sec.gov/edgar](http://www.sec.gov/edgar). A list of the Fund’s equity and fixed income holdings as of August 31 of each year is posted to the PSF Corporation’s web site and filed with the MSRB. Such list excludes holdings in the Fund’s securities lending program. Such list, as filed, is incorporated herein and made a part hereof for all purposes.

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

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

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

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

With respect to the 2024-2025 State biennium, and for subsequent biennia, 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 2024 and 2025. 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” that provides that the total amount distributed from the Fund to the ASF: (1) in each year of a State fiscal biennium must be an amount that is not more than 6% of the average of the market value of the Fund, excluding real property (the “Distribution Rate”), on the last day of each of the sixteen State fiscal quarters preceding the Regular Session of the Legislature that begins before that State fiscal biennium, in accordance with the rate adopted by: (a) a vote of two-thirds of the total membership of the SBOE, taken before the Regular Session of the Legislature convenes or (b) the Legislature by general law or appropriation, if the SBOE does not adopt a rate as provided by clause (a); and (2) over the ten-year period consisting of the current State fiscal year and the nine preceding State fiscal years may not exceed the total return on all investment assets of the Fund over the same ten-year period (the “Ten Year Total Return”). In April 2009, the Attorney General issued a legal opinion, Op. Tex. Att’y Gen. No. GA-0707 (2009) (“GA-0707”), with regard to certain matters pertaining to the Distribution Rate and the determination of the Ten Year Total Return. In GA-0707 the Attorney General opined, among other advice, that (i) the Ten Year Total Return should be calculated on an annual basis, (ii) a contingency plan adopted by the SBOE, to permit monthly transfers equal in aggregate to the annual Distribution Rate to be halted and subsequently made up if such transfers temporarily exceed the Ten Year Total Return, is not prohibited by State law, provided that such contingency plan applies only within a fiscal year time basis, not on a biennium basis, and (iii) the amount distributed from the Fund in a fiscal year may not exceed 6% of the average of the market value of the Fund or the Ten Year Total Return. In accordance with GA-0707, in the event that the Ten Year Total Return is exceeded during a fiscal year,



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

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

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

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

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

<b>Fiscal Year Ending</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023<sup>2</sup></b>
PSF(CORP) Distribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$2,076
PSF (SBOE) Distribution	839	839	1,056	1,056	1,236	1,236	1,102	1,102	1,731	-
PSF(SLB) Distribution	0	0	0	0	0	300	600	600 <sup>3</sup>	415	115
Per Student Distribution	175	173	215	212	247	306	347	341	432	440

<sup>1</sup> In millions of dollars. Source: Annual Report for year ended August 31, 2023.

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

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

In November 2022, the SBOE approved a \$3.1 billion distribution to the ASF for State fiscal biennium 2024-2025. In making its determination of the 2024-2025 Distribution Rate, the SBOE took into account the announced planned distribution to the ASF by the SLB of \$1.2 billion for the biennium.

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

<b>State Fiscal Biennium</b>	<b>2008-09</b>	<b>2010-11</b>	<b>2012-13</b>	<b>2014-15</b>	<b>2016-17</b>	<b>2018-19</b>	<b>2020-21</b>	<b>2022-23</b>	<b>2024-25</b>
SBOE Distribution Rate <sup>1</sup>	3.5%	2.5%	4.2%	3.3%	3.5%	3.7%	2.974%	4.18%	3.32% <sup>2</sup>

<sup>1</sup> Includes only distributions made to the ASF by the SBOE; see the immediately preceding table for amounts of direct SLB distributions to the ASF. In addition, the SLB approved transfers of \$600 million per year directly to the ASF for fiscal biennium 2024-25.

<sup>2</sup> The distribution rate approved by the SBOE for fiscal biennium 2024-25 was based on a number of assumptions, including a mid- to long-term expected return rate for the Fund of 6.35% and a rate of inflation measured by the consumer price index of 2.70% according to the policy adopted by the SBOE in June 2022.

<u>State Fiscal Biennium</u>	<u>2008-09</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>SBOE Distribution Rate</u> <sup>(1)</sup>	3.5%	2.5%	4.2%	3.3%	3.5%	3.7%	2.974%	4.18%	3.32% <sup>(2)</sup>

<sup>(1)</sup> Includes only distributions made to the ASF by the SBOE; see the immediately preceding table for amounts of direct SLB distributions to the ASF. In addition, the SLB approved transfers of \$600 million per year directly to the ASF for fiscal biennium 2024-25.

<sup>(2)</sup> The distribution rate approved by the SBOE for fiscal biennium 2024-25 was based on a number of assumptions, including a mid- to long-term expected return rate for the Fund of 6.35% and a rate of inflation measured by the consumer price index of 2.70% according to the policy adopted by the SBOE in June 2022.

### 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. Effective January 1, 2023, 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 asset allocation of the Fund that was adopted February 2024 (which is subject to change from time to time):

Asset Class	Strategic Asset Allocation	Range	
		Min	Max
Cash	2.0%	0.0%	7.0%
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, 2022 and 2023, as set forth in the Annual Report for the 2023 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, 2023 and 2022				
<u>ASSET CLASS</u>	<u>August 31, 2023</u>	<u>August 31, 2022</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent Change</u>
<b>EQUITY</b>				
Domestic Small Cap	\$ 2,975.1	\$ 2,858.4	\$ 116.7	4.1%
Domestic Large Cap	<u>7,896.5</u>	<u>6,402.1</u>	<u>1,494.4</u>	<u>23.3%</u>
Total Domestic Equity	10,871.6	9,260.5	1,611.1	17.4%
International Equity	<u>7,945.5</u>	<u>7,197.9</u>	<u>747.6</u>	<u>10.4%</u>
<b>TOTAL EQUITY</b>	<b>18,817.1</b>	<b>16,458.4</b>	<b>2,358.7</b>	<b>14.3%</b>
<b>FIXED INCOME</b>				
Domestic Fixed Income	5,563.7	5,867.5	(303.8)	-5.2%
U.S. Treasuries	937.5	1,140.2	(202.7)	-17.8%
High Yield Bonds	1,231.6	1,142.5	89.1	7.8%
Emerging Market Debt	<u>869.7</u>	<u>1,190.9</u>	<u>(321.2)</u>	<u>-27.0%</u>
<b>TOTAL FIXED INCOME</b>	<b>8,602.5</b>	<b>9,341.1</b>	<b>(738.6)</b>	<b>-7.9%</b>
<b>ALTERNATIVE INVESTMENTS</b>				
Absolute Return	3,175.8	2,932.3	243.5	8.3%
Real Estate	6,525.2	6,286.9	238.3	3.8%
Private Equity	8,400.7	7,933.1	467.6	5.9%
Emerging Manager Program	134.5	29.9	104.6	349.8%
Real Return	<u>1,663.7</u>	<u>1,620.3</u>	<u>43.4</u>	<u>2.7%</u>
<b>TOT ALT INVESTMENTS</b>	<b>24,612.0</b>	<b>23,143.8</b>	<b>1,468.2</b>	<b>6.3%</b>
<b>UNALLOCATED</b>				
CASH	<u>348.2</u>	<u>231.7</u>	<u>116.5</u>	<u>50.3%</u>
<b>TOTAL PSF(CORP) INVESTMENTS</b>	<b>\$52,379.8</b>	<b>\$49,175.0</b>	<b>\$3,204.8</b>	<b>6.5%</b>

Source: Annual Report for year ended August 31, 2023.

*[Remainder of Page Intentionally Left Blank]*

The table below sets forth the investments of the PSF(SLB) for the year ended August 31, 2023.

**Investment Schedule - PSF(SLB)1**

Fair Value (in millions) August 31, 2023

	As of <u>8-31-23</u>
Investment Type	
Investments in Real Assets	
Sovereign Lands	\$ 276.14
Discretionary Internal Investments	264.32
Other Lands	167.97
Minerals <sup>(2), (3)</sup>	<u>5,435.62</u> <sup>(6)</sup>
Total Investments <sup>(4)</sup>	6,144.05
Cash in State Treasury <sup>(5)</sup>	508.38
Total Investments & Cash in State Treasury	\$ 6,652.44

<sup>1</sup> Unaudited figures from Table 5 in the FY 2023 Unaudited Annual Financial Report of the Texas General Land Office and Veterans Land Board.

<sup>2</sup> Historical Cost of investments at August 31, 2023 was: Sovereign Lands \$838,776.71; Discretionary Internal Investments \$129,728,504.04; Other Lands \$38,241,863.70; and Minerals \$13,437,063.73.

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

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

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

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

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

**The School District Bond Guarantee Program**

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 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. 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. As noted, above, in connection with the Regulatory Recodification, the SDBGP Rules are now 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"). As noted, above, in connection with the Regulatory Recodification, the CDBGP Rules are now 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 2024 fiscal year, the ratio is 7.69%. At February 26, 2024, there were 186 active open-enrollment charter schools in the State and there were 1,128 charter school campuses authorized under such charters, though as of such date, 212 of such campuses are not currently serving students for various reasons; therefore, there are 916 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 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. 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. If a total of two or more payments are made under the Charter District Bond Guarantee Program on charter district bonds and the Education Commissioner determines that the charter district is acting in bad faith under the program, the Education Commissioner may request the Attorney General to institute appropriate legal action to compel the charter district and its officers, agents, and employees to comply with the duties required of them by law in regard to the guaranteed bonds. As is the case with the School District Bond Guarantee Program, the Act provides a funding “intercept” feature that obligates the Education Commissioner to instruct the Comptroller to withhold the amount paid with respect to the Charter District Bond Guarantee Program, plus interest, from the first State money payable to a charter district that fails to make a guaranteed payment on its bonds. The amount withheld will be deposited, first, to the credit of the PSF, and then to restore any amount drawn from the Charter District Reserve Fund as a result of the non-payment.

The CDBGP Rules provide that the PSF may be used to guarantee bonds issued for the acquisition, construction, repair, or renovation of an educational facility for an open-enrollment charter holder and equipping real property of an open-enrollment charter school and/or to refinance promissory notes executed by an open-enrollment charter school, each in an amount in excess of \$500,000 the proceeds of which loans were used for a purpose described above (so-called new money bonds) or for refinancing bonds previously issued for the charter school that were approved by the Attorney General (so-called refunding bonds). Refunding bonds may not be guaranteed under the Charter District Bond Guarantee Program if they do not result in a present value savings to the charter holder.

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

From time to time, TEA has limited new guarantees under the Charter District Bond Guarantee Program to conform to capacity limits specified by the Act. The Charter District Bond Guarantee Program Capacity (the “CDBGP Capacity”) is made available from the capacity of the Guarantee Program but is not reserved exclusively for the Charter District Bond Guarantee Program. See “Capacity Limits for the Guarantee Program.” Other factors that could increase the CDBGP Capacity include Fund investment performance, future increases in the Guarantee Program multiplier, changes in State law that govern the calculation of the CDBGP Capacity, as described below, changes in State or federal law or regulations related

to the Guarantee Program limit, growth in the relative percentage of students enrolled in open-enrollment charter schools to the total State scholastic census, legislative and administrative changes in funding for charter districts, changes in level of school district or charter district participation in the Guarantee Program, or a combination of such circumstances.

### Capacity Limits for the Guarantee Program

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

Prior to 2007, various legislation was enacted modifying the calculation of the State Capacity limit; however, in 2007, Senate Bill 389 (“SB 389”) was enacted, providing for increases in the capacity of the Guarantee Program, and specifically providing that the SBOE may by rule increase the capacity of the Guarantee Program from two and one-half times the cost value of the PSF to an amount not to exceed five times the cost value of the PSF, provided that the increased limit does not violate federal law and regulations and does not prevent bonds guaranteed by the Guarantee Program from receiving the highest available credit rating, as determined by the SBOE. SB 389 further provided that the SBOE shall at least annually consider whether to change the capacity of the Guarantee Program. Additionally, on May 21, 2010, the SBOE modified the SDBGP Rules, and increased the State Capacity Limit to an amount equal to three times the cost value of the PSF.

Such modified regulations, including the revised capacity rule, became effective on July 1, 2010. The SDBGP Rules provide that the Education Commissioner will estimate the available capacity of the PSF each month and may increase or reduce the State Capacity Limit multiplier to prudently manage fund capacity and maintain the AAA credit rating of the Guarantee Program but also provide that any changes to the multiplier made by the Education Commissioner are to be ratified or rejected by the SBOE at the next meeting following the change. See “Valuation of the PSF and Guaranteed Bonds” below.

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

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

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

The IRS Notice changed the IRS Limit from a static limit to a dynamic limit for the Guarantee Program based upon the cost value of Fund assets, multiplied by five. As of December 31, 2023 the cost value of the Guarantee Program was \$44,034,322,531 (unaudited), thereby producing an IRS Limit of \$220,171,612,655 in principal amount of guaranteed bonds outstanding.

As of December 31, 2023, the estimated State Capacity Limit is \$154,120,128,859, 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 7.69% in February 2024. 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, 2024, the Charter District Reserve Fund contained \$97,636,048, which represented approximately 2.32% 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.

## **Infectious Disease Outbreak**

Since the onset of the COVID-19 pandemic in March 2020, TEA and TEA investment management for the PSF have continued to operate and function pursuant to the TEA continuity of operations plan developed as mandated in accordance with Texas Labor Code Section 412.054. That plan was designed to ensure performance of the Agency's essential missions and functions under such threats and conditions in the event of, among other emergencies, a pandemic event.

Circumstances regarding the COVID-19 pandemic continue to evolve; for additional information on these events in the State, reference is made to the website of the Governor, <https://gov.texas.gov/>, and, with respect to public school events, the website of TEA, <https://tea.texas.gov/texas-schools/safe-and-healthy-schools/coronavirus-covid-19-support-and-guidance>.

TEA cannot predict whether any school or charter district may experience short- or longer-term cash flow emergencies as a direct or indirect effect of COVID-19 that would require a payment from the PSF to be made to a paying agent for a guaranteed bond. However, through the end of January 2024, no school district or charter district had failed to perform with respect to making required payments on their guaranteed bonds. Information regarding the respective financial operations of the issuer of bonds guaranteed, or to be guaranteed, by the PSF is provided by such issuers in their respective bond offering documents and the TEA takes no responsibility for the respective information, as it is provided by the respective issuers.

## 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

<b>Permanent School Fund Valuations</b>		
Fiscal Year Ended 8/31	Book Value <sup>(1)</sup>	Market Value <sup>(1)</sup>
2019	\$35,288,344,219	\$46,464,447,981
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 <sup>(2)</sup>	43,915,792,841	59,020,536,667

<sup>(1)</sup> SLB managed assets are included in the market value and book value of the Fund. In determining the market value of the PSF from time to time during a fiscal year, the current, unaudited values for PSF investment portfolios and cash held by the SLB are used. With respect to SLB managed assets shown in the table above, market values of land and mineral interests, internally managed real estate, investments in externally managed real estate funds and cash are based upon information reported to the PSF Corporation by the SLB. The SLB reports that information to the PSF Corporation on a quarterly basis. The valuation of such assets at any point in time is dependent upon a variety of factors, including economic conditions in the State and nation in general, and the values of these assets, and, in particular, the valuation of mineral holdings administered by the SLB, can be volatile and subject to material changes from period to period.

<sup>(2)</sup> At August 31, 2023, mineral assets, sovereign and other lands and discretionary internal investments, and cash managed by the SLB had book values of approximately \$13.4 million, \$168.8 million, and \$708.4 million, respectively, and market values of approximately \$5,435.6 million, \$678.4 million, and \$508.4 million, respectively.

<b>Permanent School Fund Guaranteed Bonds</b>	
At 8/31	Principal Amount <sup>(1)</sup>
2019	\$ 84,397,900,203
2020	90,336,680,245
2021	95,259,161,922
2022	103,239,495,929
2023	115,730,826,682 <sup>(2)</sup>

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

<sup>(2)</sup> At August 31, 2023 (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 \$178,520,723,868, of which \$62,789,897,186 represents interest to be paid. As shown in the table above, at August 31, 2023, there were \$115,730,826,682 in principal amount of bonds guaranteed under the Guarantee Program. Using the State Capacity Limit of \$154,120,128,859 (the State Capacity Limit is currently the Capacity Limit), net of the Capacity Reserve, as of December 31, 2023, 7.36% of the Guarantee Program’s capacity was available to the Charter District Bond Guarantee Program. As of December 31, 2023, the amount of outstanding bond guarantees represented 76.36% of the Capacity Limit (which is currently the State Capacity Limit). December 31, 2023 values are based on unaudited data, which is subject to adjustment.

**Permanent School Fund Guaranteed Bonds by Category<sup>(1)</sup>**

Fiscal Year Ended 8/31	School District Bonds		Charter District Bonds		Totals	
	Number of Issues	Principal Amount (\$)	Number of Issues	Principal Amount (\$)	Number of Issues	Principal Amount (\$)
2019	3,297	82,537,755,203	49	1,860,145,000	3,346	84,397,900,203
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 <sup>(2)</sup>	3,339	111,647,914,682	102	4,082,912,000	3,441	115,730,826,682

(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 December 31, 2023 (based on unaudited data, which is subject to adjustment), there were \$117,374,697,034 in principal amount of bonds guaranteed under the Guarantee Program, representing 3,369 school district issues, aggregating \$113,174,765,034 in principal amount and 105 charter district issues, aggregating \$4,199,932,000 in principal amount. At December 31, 2023 the projected guarantee capacity available was \$26,935,589,587 (based on unaudited data, which is subject to adjustment).

**Discussion and Analysis Pertaining to Fiscal Year Ended August 31, 2023**

The following discussion is derived from the Annual Report for the year ended August 31, 2023, 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 PSFC Board 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 2023, the PSF(CORP) net position was \$52.3 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 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, 2023, net of fees, were 6.14%, 6.19%, and 6.78%, 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, 2023.

Beginning January 1, 2023, Texas PSF transitioned into the PSF Corporation combining all PSF financial investment assets under the singular management of the PSF Corporation. The new structure of the PSF Corporation updated the strategic asset allocation among public equities, fixed income, and alternative assets, as discussed herein. Alternative assets now include absolute return, private equity, real estate, natural resources, infrastructure, and real return (TIPS and commodities). The inauguration of the PSF Corporation as a discretely presented component unit of the State of Texas for fiscal year 2023 required a change in the basis of accounting to full accrual. For a description of the full accrual basis of accounting and more information about performance, including comparisons to established benchmarks for certain periods, please see the 2023 Annual Report which is included by reference herein.

*[Remainder of Page Intentionally Left Blank]*

**PSF Returns Fiscal Year Ended 8-31-2023<sup>(1)</sup>**

<u>Portfolio</u>	<u>Return</u>	Benchmark <u>Return<sup>(2)</sup></u>
Total PSF(CORP) Portfolio	6.14%	4.38
Domestic Large Cap Equities	16.09	15.94
Domestic Small/Mid Cap Equities	9.31	9.14
International Equities	12.38	11.89
Emerging Market Equity	2.48	1.25
Fixed Income	(1.30)	(1.19)
U.S. Treasuries	(9.21)	(9.69)
Absolute Return	7.59	3.58
Real Estate	(1.96)	(3.13)
Private Equity	4.55	0.20
Real Return	(5.51)	(5.88)
Emerging Market Debt	12.68	11.34
High Yield	7.80	7.19
Emerging Manager Program	33.35	0.97
Natural Resources	5.70	3.67
Infrastructure	14.22	3.67

(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, 2023.

(2) Benchmarks are as set forth in the Annual Report for year ended August 31, 2023.

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, interest in real estate, mineral and royalty interest, and real property holdings. For more information regarding the investments of the PSF(SLB), please see the 2023 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 2023, \$2.1 billion was distributed to the ASF, \$345 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](https://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, 2023, 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**

The Regulatory Recodification included the codification of the TEA's undertaking pursuant to Rule 15c2-12 (the "TEA Undertaking") pertaining to the PSF and the Guarantee Program. As of March 1, 2023, the TEA Undertaking is codified at 19 TAC 33.8, which relates to the Guarantee Program and is available at [available at https://tea.texas.gov/sites/default/files/ch033a.pdf](https://tea.texas.gov/sites/default/files/ch033a.pdf).

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

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

### **Annual Reports**

The PSF Corporation, on behalf of the TEA, and the TEA will annually provide certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the Guarantee Program and the PSF of the general type included in this offering document under the heading “THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM.” The information also includes the Annual Report. The PSF Corporation will update and provide this information within six months after the end of each fiscal year.

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

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

The PSF Corporation classified as a proprietary endowment fund and reported by the State of Texas as a discretely presented component unit and accounted for on an economic resources measurement focus and the full accrual basis of accounting. Measurement focus refers to the definition of the resource flows measured. Under the full 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 will notify the MSRB of the change.

### **Event Notices**

The TEA and the PSF Corporation will also provide timely notices of certain events to the MSRB. Such notices will be provided not more than ten business days after the occurrence of the event. The TEA or the PSF Corporation will provide notice of any of the following events with respect to the Guarantee Program: (1) principal and interest payment

delinquencies; (2) non-payment related defaults, if such event is material within the meaning of the federal securities laws; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Guarantee Program, or other material events affecting the tax status of the Guarantee Program; (7) modifications to rights of holders of bonds guaranteed by the Guarantee Program, if such event is material within the meaning of the federal securities laws; (8) bond calls, if such event is material within the meaning of the federal securities laws, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of bonds guaranteed by the Guarantee Program, if such event is material within the meaning of the federal securities laws; (11) rating changes of the Guarantee Program; (12) bankruptcy, insolvency, receivership, or similar event of the Guarantee Program (which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Guarantee Program in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Guarantee Program, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Guarantee Program); (13) the consummation of a merger, consolidation, or acquisition involving the Guarantee Program or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if such event is material within the meaning of the federal securities laws; (14) the appointment of a successor or additional trustee with respect to the Guarantee Program or the change of name of a trustee, if such event is material within the meaning of the federal securities laws; (15) the incurrence of a financial obligation of the Guarantee Program, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Guarantee Program, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Guarantee Program, any of which reflect financial difficulties. (Neither the Act nor any other law, regulation or instrument pertaining to the Guarantee Program make any provision with respect to the Guarantee Program for bond calls, debt service reserves, credit enhancement, liquidity enhancement, early redemption, or the appointment of a trustee with respect to the Guarantee Program.) In addition, the TEA or the PSF Corporation will provide timely notice of any failure by the TEA or the PSF Corporation to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports.”

### **Availability of Information**

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

### **Limitations and Amendments**

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

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

This continuing disclosure agreement may be amended by the TEA or the PSF Corporation from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the TEA or the PSF Corporation, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell guaranteed bonds in the primary offering of such bonds in compliance with Rule 15c2-12, taking into account any amendments or interpretations of Rule 15c2-12 since such offering as well as such

changed circumstances and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding bonds guaranteed by the Guarantee Program consent to such amendment or (b) a person that is unaffiliated with the TEA or the PSF Corporation (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the holders and beneficial owners of the bonds guaranteed by the Guarantee Program. The TEA or the PSF Corporation may also amend or repeal the provisions of its continuing disclosure agreement if the SEC amends or repeals the applicable provision of Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of Rule 15c2-12 are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling bonds guaranteed by the Guarantee Program in the primary offering of such bonds.

### **Compliance with Prior Undertakings**

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

### **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.