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 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 the 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 or qualification under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT
Dated: December 3, 2025

NEW ISSUE: Book-Entry-Only

Ratings:	**Series 2026A (PSF)**	**Series 2026B (Non-PSF)**
Moody's	**"Aaa"**	**"Aa1"**
S&P	**"AAA"**	**"AA"**

(see "RATINGS" and "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM")

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds (as defined below) is excluded from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that the interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Bonds. See "TAX MATTERS" herein.

$224,750,000*
HUMBLE INDEPENDENT SCHOOL DISTRICT
(Harris County, Texas)

$181,595,000*	**$43,155,000***
UNLIMITED TAX SCHOOL BUILDING AND REFUNDING BONDS, SERIES 2026A (PSF)	**UNLIMITED TAX REFUNDING BONDS, SERIES 2026B (Non-PSF)**

Dated Date: January 1, 2026
Interest to Accrue from Date of Delivery **Due: February 15, as shown on pages ii and iii**

The Humble Independent School District (the "District") is issuing its $181,595,000* Unlimited Tax School Building and Refunding Bonds, Series 2026A (PSF) (the "Series 2026A Bonds") and its $43,155,000* Unlimited Tax Refunding Bonds, Series 2026B (Non-PSF) (the "Series 2026B Bonds" and, together with the Series 2026A Bonds, the "Bonds. The Series 2026A Bonds are issued in accordance with the Constitution and general laws of the State of Texas, including particularly Chapters 1207 and 1371, Texas Government Code, as amended, Chapter 45, Texas Education Code, as amended, an election held on May 7, 2022, and a bond order passed by the Board of Trustees of the District (the "Board") on October 21, 2025 (the "Bond Order"), in which the Board delegated pricing of the Series 2026A Bonds and certain other matters to a pricing officer who will approve and execute a "Pricing Certificate" for each series of Bonds that will set forth the final terms of such series of Bonds (the Bond Order and the Pricing Certificates are jointly referred to herein as the "Order").

The Series 2026B Bonds are issued in accordance with the Constitution and general laws of the State of Texas, including particularly Chapters 1207 and 1371, Texas Government Code, as amended, and the Order. The Bonds constitute direct obligations of the District and are payable as to principal and interest from the proceeds of an annual ad valorem tax levied, without legal limitation as to rate or amount, against all taxable property located within the District. See "THE BONDS - Authority for Issuance." Additionally, the District has applied for and expects to receive conditional approval for the Series 2026A Bonds to be guaranteed by the Permanent School Fund Guarantee Program of the State of Texas. **The Series 2026B Bonds will not be guaranteed by the Permanent School Fund Guarantee Program of the State of Texas.** See "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM."

Interest on the Bonds shall accrue from the Delivery Date (defined below) and will be payable on February 15, 2026* and semiannually thereafter on each February 15 and August 15 until stated 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 in principal denominations of $5,000 or any integral multiple thereof within a maturity. See "THE BONDS - General Description."

The District intends to use the Book-Entry-Only System of The Depository Trust Company, New York, New York ("DTC"), but use of such system could be discontinued. The principal amount of the Bonds at maturity or amounts due upon a prior redemption date, and interest on the Bonds will be payable to Cede & Co., as nominee for DTC, by The Bank of New York Mellon Trust Company, N.A., as the initial Paying Agent/Registrar (the "Paying Agent/Registrar") for the Bonds. No physical delivery of the Bonds will be made to the beneficial owners thereof. Such Book-Entry-Only System will affect the method and timing of payment and the method of transfer of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM."

Proceeds from the sale of the Series 2026A Bonds will be used to (i) acquire, construct and equip school buildings within the District, (ii) purchase the necessary sites for school buildings, (iii) purchase new school buses, (iv) retrofit school buses with emergency, safety or security equipment, (v) purchase or retrofit vehicles to be used for emergency, safety or security purposes, (vi) refund a portion of the District's currently outstanding unlimited ad valorem, tax-supported obligations, as identified in Schedule I attached hereto (the "Series 2026A Refunded Bonds"), in order to achieve present value debt service savings, and (vii) pay the costs of issuance of the Bonds. Proceeds from the sale of the Series 2026B Bonds will be used to, (i) refund a portion of the District's currently outstanding unlimited ad valorem, tax-supported obligations, as identified in Schedule II attached hereto (the "Series 2026B Refunded Bonds" and, together with the Series 2026A Refunded Bonds, the "Refunded Bonds.) in order to order to achieve present value debt service savings, and (ii) pay the costs of issuance of the Bonds. See "PLAN OF FINANCING – Purpose" and "– Sources and Uses of Funds" herein.

The Series 2026A Bonds maturing on and after February 15, 2035*, are subject to redemption prior to maturity, at the option of the District, in whole or from time to time in part, in principal amounts of $5,000 or any integral multiple thereof, on February 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. See "THE BONDS - Series 2026A Optional Redemption." The Series 2026B Bonds are not subject to optional redemption prior to their stated maturity. See "THE BONDS - Series 2026B Optional Redemption."

CUSIP PREFIX: 445047 / MATURITY SCHEDULE – See Page ii

The Bonds are offered when, as and if issued and accepted by the underwriters listed below (the "Underwriters"), subject to the approving opinion of the Attorney General of the State of Texas and the opinion of Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by Bracewell LLP, Houston, Texas, Counsel for the Underwriters. Delivery of the Bonds is expected to be on or about January 14, 2026 (the "Delivery Date").

RBC Capital Markets **Texas Capital Securities**

Crews & Associates, Inc. **SAMCO Capital Markets, Inc.** **PNC Capital Markets LLC**

* Preliminary, subject to change.

MATURITY SCHEDULE

HUMBLE INDEPENDENT SCHOOL DISTRICT
(Harris County, Texas)
$181,595,000* UNLIMITED TAX SCHOOL BUILDING AND REFUNDING BONDS, SERIES 2026A (PSF)

Maturity (2/15) [(a)]	Principal Amounts*	Interest Rate	Initial Yield [(b)]	CUSIP Suffix [(c)]
2027	$10,410,000	%	%	
2028	2,585,000			
2029	2,710,000			
2030	2,845,000			
2031	2,990,000			
2032	14,040,000			
2033	5,020,000			
2034	6,610,000			
2035	5,550,000			
2036	5,820,000			
2037	4,030,000			
2038	4,230,000			
2039	4,440,000			
2040	4,665,000			
2041	4,895,000			
2042	5,140,000			
2043	5,400,000			
2044	5,670,000			
2045	5,950,000			
2046	6,250,000			
2047	6,560,000			
2048	6,890,000			
2049	7,235,000			
2050	7,595,000			
2051	7,975,000			
2052	8,375,000			
2053	8,790,000			
2054	9,230,000			
2055	9,695,000			

(Interest accrues from the Date of Delivery)

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* Preliminary, subject to change.

[(a)] The Series 2026A Bonds maturing on and after February 15, 2035*, are subject to redemption prior to maturity, at the option of the District, in whole or from time to time in part, in principal amounts of $5,000 or any integral multiple thereof, on February 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. See "THE BONDS - Series 2026A Optional Redemption." If two or more consecutive maturities of the Series 2026A Bonds are combined to create one or more term bonds (the "Term Bonds"), such Term Bonds will additionally be subject to mandatory sinking fund redemption as described herein. See "THE BONDS – Series 2026A Mandatory Sinking Fund Redemption."

[(b)] The initial yields are established by, and are the sole responsibility of, the Underwriters and may subsequently be changed.

[(c)] CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of The American Bankers Association and are included solely for convenience of the purchasers of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the District, the Financial Advisor, nor the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

MATURITY SCHEDULE

HUMBLE INDEPENDENT SCHOOL DISTRICT
(Harris County, Texas)

$43,155,000* UNLIMITED TAX REFUNDING BONDS, SERIES 2026B (Non-PSF)

Maturity (2/15)	Principal Amounts*	Interest Rate	Initial Yield [(a)]	CUSIP Suffix [(b)]
2027	$5,290,000	%	%	
2028	5,585,000			
2029	5,875,000			
2030	6,185,000			
2031	6,405,000			
2032	6,735,000			
2033	7,080,000			

(Interest accrues from the Date of Delivery)

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* Preliminary, subject to change.

(a) The initial yields are established by, and are the sole responsibility of, the Underwriters and may subsequently be changed.

(b) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of The American Bankers Association and are included solely for convenience of the purchasers of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the District, the Financial Advisor, nor the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

USE OF INFORMATION IN OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 (the "Rule") of the United States Securities and Exchange Commission, 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.

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

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

Certain information set forth herein has been obtained from the District and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Financial Advisor or the Underwriters.

This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the undertaking of the District to provide certain information on a continuing basis.

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

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

None of the District, the Financial Advisor, or the Underwriters makes any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company ("DTC") or its Book-Entry Only System or the affairs of the Texas Education Agency ("TEA") described under "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM."

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

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 purchaser of the Bonds. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL SCHEDULES AND APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

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 FROM THE FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS. SEE "FORWARD-LOOKING STATEMENTS."

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

The cover page hereof, the section entitled "SELECTED DATA FROM THE OFFICIAL STATEMENT," this Table of Contents and the Appendices attached hereto are part of this Official Statement.

SELECTED DATA FROM THE OFFICIAL STATEMENT

This selected data 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 page from this Official Statement or to otherwise use it without the entire Official Statement.

The District

Humble Independent School District (the "District") is a political subdivision of the State of Texas (the "State") located in Harris County, Texas. The District is governed by a seven-member Board of Trustees (the "Board") who serve staggered three-year terms with elections being held in May of each year. Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools who is the chief administrative officer of the District. Support services are supplied by consultants and advisors. The District covers approximately 90 square miles in northeast Harris County, encompassing the City of Humble, and the neighborhoods of Kingwood and Atascocita, which are located in the City of Houston.

Authority for Issuance

The District is issuing its $181,595,000* Unlimited Tax School Building and Refunding Bonds, Series 2026A (PSF) (the "Series 2026A Bonds") in accordance with the Constitution and general laws of the State of Texas, including particularly Chapters 1207 and 1371, Texas Government Code, as amended, Chapter 45, Texas Education Code, as amended, an election held on May 7, 2022 (the "Election"), and a bond order passed by the Board of Trustees of the District (the "Board") on October 21, 2025 (the "Bond Order"), in which the Board delegated pricing of the Bonds and certain other matters to a pricing officer who will approve and execute a "Pricing Certificate" for each series of Bonds that will set forth the final terms of such series of Bonds (the Bond Order and the Pricing Certificates are jointly referred to herein as the "Order").

The District is issuing its $43,155,000* Unlimited Tax Refunding Bonds, Series 2026B (Non-PSF) (the "Series 2026B Bonds" and together with the Series 2026A Bonds, the "Bonds") in accordance with the Constitution and general laws of the State of Texas, including particularly Chapters 1207 and 1371, Texas Government Code, as amended, and the Order.

The Bonds

Bonds shall mature on the dates and in the amounts set forth on pages ii and iii of this Official Statement. See "THE BONDS – General Description."

Payment of Interest

Interest on the Bonds will accrue from the date of their initial delivery and will be payable on February 15, 2026* and semiannually thereafter on each February 15 and August 15 until stated maturity or prior redemption. See "THE BONDS – General Description."

Security

The Bonds are direct 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 - Security." Also see "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" for a discussion of recent developments in State law affecting the financing of school districts in the State. Additionally, the District has applied for and expects to receive conditional approval for the Series 2026A Bonds to be guaranteed by the Permanent School Fund Guarantee Program of the State of Texas. **The Series 2026B Bonds will not be guaranteed by the Permanent School Fund Guarantee Program of the State of Texas**. See "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM."

Redemption

The Series 2026A Bonds maturing on and after February 15, 2035*, are subject to redemption prior to maturity, at the option of the District, in whole or from time to time in part, in principal amounts of $5,000 or any integral multiple thereof, on February 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. See "THE BONDS - Series 2026A Optional Redemption." If two or more consecutive maturities of the Series 2026A Bonds are combined to create one or more term bonds (the "Term Bonds"), such Term Bonds will additionally be subject to mandatory sinking fund redemption as described herein. See "THE BONDS – Series 2026A Mandatory Sinking Fund Redemption."

The Series 2026B Bonds are not subject to optional redemption prior to their stated maturity. See "THE BONDS – Series 2026B Optional Redemption."

Use of Proceeds	Proceeds from the sale of the Series 2026A Bonds will be used to (i) acquire, construct and equip school buildings within the District, (ii) purchase the necessary sites for school buildings, (iii) purchase new school buses, (iv) retrofit school buses with emergency, safety or security equipment, (v) purchase or retrofit vehicles to be used for emergency, safety or security purposes, (vi) refund a portion of the District's currently outstanding unlimited ad valorem, tax-supported obligations, as identified in Schedule I attached hereto (the "Series 2026A Refunded Bonds"), in order to achieve present value debt service savings, and (vii) pay the costs of issuance of the Bonds. Proceeds from the sale of the Series 2026B Bonds will be used to, (i) refund a portion of the District's currently outstanding unlimited ad valorem, tax-supported obligations, as identified in Schedule II attached hereto (the "Series 2026B Refunded Bonds", and together with the Series 2026A Refunded Bons, the "Refunded Bonds"), in order to order to achieve present value debt service savings, and (ii) pay the costs of issuance of the Bonds. See "PLAN OF FINANCING – Purpose" and "PLAN OF FINANCING – Sources and Uses of Funds" herein.
Ratings	Standard and Poor's Global Ratings ("S&P") and Moody's Investors Service, Inc. ("Moody's") are expected to assign municipal bond ratings of "AAA" and "Aaa" respectively to the Series 2026A Bonds based upon the of the Permanent School Fund Guarantee. S&P has assigned its underlying unenhanced rating of "AA" to the Bonds, and Moody's has assigned its underlying unenhanced rating of "Aa1." An explanation of the significance of such ratings may be obtained from each company respectively. See "RATINGS."
Paying Agent/Registrar	The Paying Agent/Registrar for the Bonds is The Bank of New York Mellon Trust Company, N.A. See "THE BONDS - Paying Agent/Registrar."
Tax Matters	In the opinion of Bond Counsel, under existing law, interest on the Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that the interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Bonds. See "TAX MATTERS" herein, including information regarding potential alternative minimum tax consequences for corporations.
Book-Entry-Only-System	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. The Bonds will be issued in principal denominations of $5,000, or any integral multiple thereof within a maturity. No physical delivery of the Bonds will be made to the beneficial owners thereof. The principal of the Bonds at maturity or upon a prior redemption date as well as 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.

* Preliminary, subject to change.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 6/30	Estimated Population(1)	Taxable Assessed Valuation(2)	Taxable Asssessed Valuation per Capita	Taxable Supported Debt Outstanding at End of Year	Ratio of Tax Supported Debt to Taxable Assessed Valuation	Tax Supported Debt per Capita
2022	203,239	$ 20,175,048,471	$ 99,268	$ 955,445,000	4.74%	$ 4,701
2023	204,950	22,705,027,294	110,783	1,103,745,000	4.86%	5,385
2024	209,423	22,761,239,879	108,685	1,203,935,000	5.29%	5,749
2025	213,013	23,838,734,749	111,912	1,295,795,000	5.44%	6,083
2026	204,178	21,974,753,505	107,625	1,382,780,000 (3)	6.29% (3)	6,772 (3)

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(1) Source: The Municipal Advisory Council of Texas.
(2) Certified values are established by the Harris Central Appraisal District and are subject to change during ensuing year.
(3) Includes the Bonds and excludes the Refunded Bonds.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	Fiscal Year Ended June 30,				
Beginning General Fund	2025	2024	2023	2022	2021
Plus: Total Revenues & Other Sources	$208,896,971	$210,970,638	$225,805,545	$213,022,944	$203,845,009
Less: Total Expenditures & Other Uses	556,933,314	535,413,765	512,193,571	492,382,236	456,215,075
Ending General Fund	(561,650,150)	(537,487,432)	(527,028,478)	(479,599,635)	(447,037,140)
	$204,180,135	$208,896,971	$210,970,638	$225,805,545	$213,022,944

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Source: The District's audited financial statements.

DISTRICT OFFICIALS, STAFF, AND CONSULTANTS

ELECTED OFFICIALS

Name	Position	Service Began	Term Expiration	Occupation
Mr. Marques Holmes	President	May 2023	May 2027	Telecom Infrastructure Management Consultant
Mr. Michael Grabowski	Vice President	May 2023	May 2027	Retired United Airlines Pilot
Mr. Robert Scarfo	Secretary	May 2023	May 2027	Insperity – Director of Credit Services
Mr. Oscar Silva	Parliamentarian	May 2025	May 2029	Corporate Trainer
Ms. Chris Parker	Member	May 2025	May 2029	Insurance Instructor
Mr. Ken Kirchhofer	Member	June 2025	May 2027	Atascocita Golf Club – Director of Operations
Ms. Elizabeth Shaw	Member	May 2025	May 2029	Consultant

SELECT ADMINISTRATIVE STAFF

Name	Position	Length of Service with District
Dr. Roger Brown	Superintendent of Schools	10 Years (1)
Mr. Billy Beattie	Chief Financial Officer	16 Years (2)
Ms. Patricia Epps	Director – Budget	14 Years (3)
Ms. Melody Jones	Director – Treasury & Property Tax Administration	8 Years (4)
Ms. Clista Graff	Director – Accounting & Financial Reporting	8 Years (5)

(1) Dr. Brown was named Superintendent of Schools in January 2025. Prior to his current role, Dr. Brown served as Interim Superintendent since November 2024, Acting Superintendent since May 2024, Deputy Superintendent since 2017, and Associate Superintendent of Support Services since 2014.

(2) Mr. Beattie has served the District as Chief Financial Officer since February 1, 2021. Prior to serving in his current capacity, Mr. Beattie served as the District's Director of Business Systems, Payroll, Benefits, and Risk Management.

(3) Ms. Epps has served the District as Director – Budget since July 1, 2022. Prior to serving in her current capacity, Ms. Epps served various administrative roles within the Budget and Risk Management Departments.

(4) Ms. Jones has been the Director of Treasury & Property Tax for two years. Prior to her current role, Ms. Jones was the Assistant Tax Assessor for six years.

(5) Ms. Graff was appointed to Director of Accounting and Financial Reporting in January 2025. Prior to serving in her current capacity, Ms. Graff served various accounting roles within the District.

CONSULTANTS AND ADVISORS

Auditors.......... Whitley Penn LLP
Houston, Texas

Bond Counsel.......... Orrick, Herrington & Sutcliffe LLP
Houston, Texas

Financial Advisor.......... Post Oak Municipal Advisors LLC
Houston, Texas

Mr. Billy Beattie Chief Financial Officer Humble Independent School District 20200 Eastway Village Drive Humble, Texas 77338 (281) 641-8014 Phone	or	Terrell Palmer President Post Oak Municipal Advisors LLC 820 Gessner Road, Suite 1350 Houston, Texas 77024 Phone: (713) 328-0990

OFFICIAL STATEMENT
relating to

$224,750,000*
HUMBLE INDEPENDENT SCHOOL DISTRICT
(Harris County, Texas)

$181,595,000*
UNLIMITED TAX SCHOOL BUILDING AND REFUNDING BONDS, SERIES 2026A (PSF)

$43,155,000*
UNLIMITED TAX REFUNDING BONDS, SERIES 2026B (Non-PSF)

INTRODUCTION

This Official Statement, including the Appendices hereto, has been provided by the Humble Independent School District (the "District") located in Harris County, Texas, in connection with the offering by the District of its $181,595,000* Unlimited Tax School Building and Refunding Bonds, Series 2026A (PSF) (the "Series 2026A Bonds") and its $43,155,000* Unlimited Tax Refunding Bonds, Series 2026B (Non-PSF) (the "Series 2026B Bonds" and, together with the Series 2026A Bonds, the "Bonds").

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 "FORWARD LOOKING STATEMENTS."

There follows in this Official Statement descriptions of the Bonds and the Order (hereinafter defined), 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 by electronic mail or upon payment of reasonable copying, mailing, and handling charges by writing the District's Financial Advisor, Post Oak Municipal Advisors LLC, 820 Gessner Road, Suite 1350, Houston, Texas 77024.

This Official Statement speaks only as of its date and the information contained herein is subject to change. A copy of the final Official Statement will be submitted to the Municipal Securities Rulemaking Board ("MSRB") and will be available through its Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org. See "CONTINUING DISCLOSURE OF INFORMATION" for information regarding the EMMA system and for a description of the District's undertaking to provide certain information on a continuing basis.

PLAN OF FINANCING

Purpose

Proceeds from the sale of the Series 2026A Bonds will be used to (i) acquire, construct and equip school buildings within the District, (ii) purchase the necessary sites for school buildings, (iii) purchase new school buses, (iv) retrofit school buses with emergency, safety or security equipment, (v) purchase or retrofit vehicles to be used for emergency, safety or security purposes, (vi) refund a portion of the District's currently outstanding unlimited ad valorem, tax-supported obligations, as identified in Schedule I attached hereto (the "Series 2026A Refunded Bonds"), in order to achieve present value debt service savings, and (vii) pay the costs of issuance of the Bonds. Proceeds from the sale of the Series 2026B Bonds will be used to, (i) refund a portion of the District's currently outstanding unlimited ad valorem, tax-supported obligations, as identified in Schedule II attached hereto (the "Series 2026B Refunded Bonds", and together with the Series 2026A Refunded Bonds, the "Refunded Bonds"), in order to order to achieve present value debt service savings, and (ii) pay the costs of issuance of the Bonds.

The Series 2026A Refunded Bonds

The Series 2026A Refunded Bonds, and interest due thereon, are to be paid on their scheduled redemption date from cash and investments to be deposited with The Bank of New York Mellon Trust Company, N.A. (the "Escrow Agent") pursuant to an escrow agreement between the District and the Escrow Agent (the "Series 2026A Escrow Agreement").

The Order (defined herein) provides that from a portion of the proceeds of the sale of the Series 2026A Bonds to the underwriters listed on the cover page hereof (the "Underwriters"), the District will deposit with the Escrow Agent an amount, together with other lawfully available funds, if any, which, when added to the investment earnings thereon, will be sufficient to accomplish the discharge and final payment of the Series 2026A Refunded Bonds. Such funds will be held by the Escrow Agent in an escrow fund (the " Series 2026A Escrow Fund") and used to purchase a portfolio of securities authorized by Section 1207.062, Texas Government Code, which authorized securities include direct noncallable obligations of the United States of America rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent and guaranteed by the full faith and credit of the United States of America (the "Federal Securities"). Under the Series 2026A Escrow Agreement, the Series 2026A Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Series 2026A Refunded Bonds.

Public Finance Partners LLC will verify at the time of delivery of the Series 2026A Bonds to the Underwriters that the Federal Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Series 2026A Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Series 2026A Refunded Bonds on their scheduled redemption date and maturity dates. Such maturing principal of and interest on the Federal Securities will not be available to pay the debt service on the Series 2026A Bonds. See "VERIFICATION OF ARITHMETICAL COMPUTATIONS."

By the deposit of the Federal Securities and cash, if any, with the Escrow Agent pursuant to the Series 2026A Escrow Agreement, the District will have effected the defeasance of the Series 2026A Refunded Bonds pursuant to the terms of Chapter 1207, Texas Government Code, as amended, and the order authorizing the issuance of the Series 2026A Refunded Bonds. It is the opinion of Bond Counsel that as a result of such deposit, and in reliance on the above mentioned verification of arithmetical computation, firm banking and financial arrangements will have been made for the discharge and final payment of the Series 2026A Refunded Bonds, and the Series 2026A Refunded Bonds will no longer be outstanding, except for the purpose of being paid from funds provided thereof, in the Series 2026A Escrow Agreement. Upon defeasance of the Series 2026A Refunded Bonds, the payment of such Series 2026A Refunded Bonds will no longer be guaranteed by the Permanent School Fund.

In the Series 2026A Escrow Agreement, the District covenants to make timely deposits with the Escrow Agent, from lawfully available funds, of any additional amounts required to pay the principal of and interest on the Series 2026A Refunded Bonds, if for any reason the cash balances on deposit or scheduled to be on deposit in the Series 2026A Escrow Fund are insufficient to make such payment.

The Series 2026B Refunded Bonds

The Series 2026B Refunded Bonds, and interest due thereon, are to be paid on their scheduled redemption date from cash and investments to be deposited with the Escrow Agent pursuant to an escrow agreement between the District and the Escrow Agent (the "Series 2026B Escrow Agreement").

The Order (defined herein) provides that from a portion of the proceeds of the sale of the Series 2026B Bonds to the Underwriters the District will deposit with the Escrow Agent an amount, together with other lawfully available funds, if any, which, when added to the investment earnings thereon, will be sufficient to accomplish the discharge and final payment of the Series 2026B Refunded Bonds. Such funds will be held by the Escrow Agent in an escrow fund (the "Series 2026B Escrow Fund") and used to purchase a portfolio of securities authorized by Section 1207.062, Texas Government Code, which authorized securities include direct noncallable obligations of the United States of America rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent and guaranteed by the full faith and credit of the United States of America (the "Federal Securities"). Under the Series 2026B Escrow Agreement, the Series 2026B Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Series 2026B Refunded Bonds.

Public Finance Partners LLC will verify at the time of delivery of the Series 2026B Bonds to the Underwriters that the Federal Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Series 2026B Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Series 2026B Refunded Bonds on their scheduled redemption date and maturity dates. Such maturing principal of and interest on the Federal Securities will not be available to pay the debt service on the Series 2026B Bonds. See "VERIFICATION OF ARITHMETICAL COMPUTATIONS."

By the deposit of the Federal Securities and cash, if any, with the Escrow Agent pursuant to the Series 2026B Escrow Agreement, the District will have effected the defeasance of the Series 2026B Refunded Bonds pursuant to the terms of Chapter 1207, Texas Government Code, and the order authorizing the issuance of the Series 2026B Refunded Bonds. It is the opinion of Bond Counsel that as a result of such deposit, and in reliance on the above mentioned verification of arithmetical computation, the firm banking and financial arrangements will have been made for the discharge and final payment of the Series 2026B Refunded Bonds, and the Series 2026B Refunded Bonds will no longer be outstanding, except for the purpose of being paid from funds provided thereof, in the Series 2026B Escrow Agreement.

In the Series 2026B Escrow Agreement, the District covenants to make timely deposits with the Escrow Agent, from lawfully available funds, of any additional amounts required to pay the principal of and interest on the Series 2026B Refunded Bonds, if for any reason the cash balances on deposit or scheduled to be on deposit in the Series 2026B Escrow Fund are insufficient to make such payment.

Sources and Uses of Funds

The proceeds from the sale of the Series 2026A Bonds will be applied approximately as follows:

Sources of Funds	
Par Amount of the Bonds	$
[Net] Original Issue Premium	
Total	$
Uses of Funds	
Deposit to Project Fund	$
Deposit to Escrow Agent	
Underwriters' Discount	
Costs of Issuance [(1)]	
Total	$

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

The proceeds from the sale of the Series 2026B Bonds will be applied approximately as follows:

Sources of Funds	
Par Amount of the Bonds	$
[Net] Original Issue Premium	
Total	$
Uses of Funds	
Escrow Agent	$
Underwriters' Discount	
Costs of Issuance [(1)]	
Total	$

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

THE BONDS

Authority for Issuance

The District is issuing the Series 2026A Bonds in accordance with the Constitution and general laws of the State of Texas, including particularly Chapters 1207 and 1371, Texas Government Code, as amended, Chapter 45, Texas Education Code, as amended, and a bond order passed by the Board of Trustees of the District (the "Board") on October 21, 2025 (the "Bond Order"), in which the Board delegated pricing of the Bonds and certain other matters to a pricing officer who will approve and execute a "Pricing Certificate" for each series of Bonds that will set forth the final terms of such series of Bonds (the Bond Order and the Pricing Certificates are jointly referred to herein as the "Order").

The Series 2026B Bonds are issued in accordance with the Constitution and general laws of the State of Texas, including particularly Chapters 1207 and 1371, Texas Government Code, as amended, and the Order.

General Description

Interest on the Bonds will accrue from the date of their initial delivery to the Underwriters and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The paying agent and registrar for the Bonds is initially The Bank of New York Mellon Trust Company, N.A. (the "Paying Agent/Registrar").

Initially, the Bonds will be registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal amount of the Bonds at maturity, or amounts due upon a prior redemption date, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will distribute the amounts paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" for a more complete description of such system.

Interest on the Bonds will be payable to the registered owner whose name appears on the bond registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined) and such accrued interest will be paid by (i) check sent by United States mail, first class, postage prepaid, to the address of the registered owner appearing on such registration books of the Paying Agent/Registrar or (ii) such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. The record date for the interest payable on any interest payment date for the Bonds is the last business day of the month next preceding such interest payment date. See "THE BONDS – Record Date for Interest Payment." The principal of the Bonds, at maturity or on a prior redemption date will be payable only upon presentation of such Bonds at the designated office of the Paying Agent/Registrar upon maturity or prior redemption, as applicable; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments will be made as described under "BOOK-ENTRY-ONLY SYSTEM" herein.

The Bonds are to mature on the dates and in the principal amounts shown on pages ii and iii hereof. The Bonds will be issued as fully registered obligations in principal denominations of $5,000 or any integral multiple thereof within a maturity. Interest on the Bonds will be payable on February 15, 2026* and semiannually thereafter on each February 15 and August 15 until stated maturity or prior redemption.

Security

The Bonds are direct obligations of the District and are payable as to principal and interest from an annual ad valorem tax levied, without legal limitation as to rate or amount, against all taxable property located within the District. Additionally, the District has applied for and expects to receive conditional approval for the Series 2026A Bonds to be guaranteed by the Permanent School Fund Guarantee Program of the State of Texas. **The Series 2026B Bonds will not be guaranteed by the Permanent School Fund Guarantee Program of the State of Texas.** See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM," "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" herein, and APPENDIX E.

Permanent School Fund Guarantee

In connection with the sale of the Series 2026A Bonds, the District has submitted an application to the Texas Education Agency for the payment of the Series 2026A Bonds to be guaranteed under the Guarantee Program for School District Bonds (Chapter 45, Subchapter C, of the Texas Education Code). Subject to meeting certain conditions discussed under the heading "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein and in APPENDIX E, the payment of the Series 2026A Bonds will be guaranteed by the corpus of the Permanent School Fund of the State in accordance with the terms of the Guarantee Program for School District Bonds (the "Permanent School Fund Guarantee"). **The Series 2026B Bonds will not be guaranteed by the Permanent School Fund Guarantee Program of the State of Texas.**

In the event of default, registered owners will receive all payments due from the corpus of the Permanent School Fund. In the event the District defeases any of the Series 2026A Bonds, the payment of such defeased Series 2026A Bonds will cease to be guaranteed by the Permanent School Fund Guarantee.

Paying Agent/Registrar

The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A. In the Order, the District retains the right to replace the Paying Agent/Registrar. The District covenants to maintain and provide a Paying Agent/Registrar at all times while any Bonds are outstanding and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the United States or any state and duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Registration, Transfer and Exchange

In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar at its designated payment office and such transfer or exchange shall be without expenses or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange for and transfer. Bonds may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bond or Bonds being transferred or exchanged, at the designated payment office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 of principal for any one maturity and for a like aggregate principal amount 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.

Record Date for Interest Payment

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

Series 2026A Optional Redemption

The District reserves the right to redeem the Series 2026A Bonds maturing on and after February 15, 2035*, in whole or in part before their maturity dates, in the principal amount of $5,000 or any integral multiple thereof, on February 15, 2034*, or 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 of a given series 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 Order.

Series 2026B No Optional Redemption

The Series 2026B Bonds are not subject to optional redemption prior to their stated maturity.

Series 2026A Mandatory Sinking Fund Redemption

In addition to the foregoing optional redemption provision, if principal amounts designated in the serial maturity schedule on pages ii and iii hereof are combined to create term bonds (the "Term Bonds"), each such Term Bond shall be subject to mandatory sinking fund redemption commencing on February 15 of the first year which has been combined to form such Term Bond and continuing on February 15 in each year thereafter until the stated maturity date of that Term Bond, and the amount required to be redeemed in any year shall be equal to the principal amount for such year set forth in the serial maturity schedule on pages ii and iii hereof. Prior to each scheduled mandatory redemption date, the Paying Agent/Registrar shall select for redemption by lot, or by any other customary method that results in a random selection, a principal amount of Term Bonds equal to the aggregate principal amount of such Term Bonds to be redeemed. The principal amount of the Term Bonds required to be redeemed on any mandatory sinking fund redemption date shall be reduced, at the option of the District, by the principal amount of any Term Bonds which, at least forty-five (45) days prior to the mandatory sinking fund redemption date (i) shall have been acquired by the District and delivered to the Paying Agent/Registrar for cancellation, or (ii) shall have been redeemed pursuant to the optional redemption provisions of the Order and not previously credited to a mandatory sinking fund redemption.

Notice of Redemption

At least 30 days prior to the date fixed for any such redemption of Bonds, the District shall cause a written notice of such redemption to be deposited in the United States mail, first-class postage prepaid, addressed to each registered owner at the address shown on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice.

ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. 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 District reserves the right, in the case of an optional redemption, to give notice of its election or direction to redeem Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date, or (ii) that the District retains the right to rescind such notice at any time on or prior to the scheduled redemption date if the District delivers a certificate of the District to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any obligations subject to conditional redemption if such redemption has been rescinded shall remain outstanding, and the rescission of such redemption shall not constitute an event of default. Further, in the case of a conditional redemption, the failure of the District to make moneys and/or authorized securities available in part or in whole on or before the redemption date shall not constitute an event of default.

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

* Preliminary, subject to change.

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.”

Defeasance of Bonds

The Order provides that Bonds may be defeased, refunded or discharged in any manner now or hereafter permitted by applicable law. Defeasance will automatically cancel the Permanent School Fund Guarantee with respect to such defeased Series 2026A Bonds.

REGISTERED OWNERS’ REMEDIES

The Order does not provide for the appointment of a trustee to represent the interests of the Bond holders upon any failure of the District to perform in accordance with the terms of the Order or upon any other condition and, in the event of any such failure to perform, the registered owners would be responsible for the initiation and cost of any legal action to enforce performance of the Order, Furthermore, the Order does not establish specific events of default with respect to the Bonds and, under State law, there is no right to the acceleration of maturity of the Bonds upon the failure of the District to observe any covenant under the Order. A registered owner of Bonds could seek a judgment against the District if a default occurred in the payment of principal of or interest on any such Bonds; however, such judgment could not be satisfied by execution against any property of the District and a suit for monetary damages could be vulnerable to the defense of sovereign immunity. A registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the District to levy, assess and collect an annual ad valorem tax sufficient to pay principal of and interest on the Bonds as it becomes due or perform other material terms and covenants contained in the Order. However, the enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis. 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, registered owners may not be able to bring such a suit against the District for breach of the Bonds or Order covenants. In addition, the enforcement of a claim for the payment of a Bond would be subject to the applicable provisions of federal bankruptcy laws and any other statutes affecting the rights of creditors of political subdivisions and may be limited by general principles of equity.

The District is also eligible to seek relief from its creditors under Chapter 9 of the U.S. 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 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 Bond holders 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. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Order and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors, including rights afforded to creditors under the U.S. Bankruptcy Code.

BOOK-ENTRY-ONLY-SYSTEM

This section describes how ownership of the Bonds is to be transferred and principal of premium, if any, redemption payments and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District, the Financial Advisor and the Underwriters believe the source of such information to be reliable, but none of the District, the Financial Advisor or the Underwriters take any responsibility for the accuracy or completeness thereof.

The District and the Underwriters cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (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 Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the

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

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

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

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 the 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Tender Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Tender Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Tender Agent's DTC account.

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

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

Effect of Termination of Book-Entry-Only-System

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

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

Subject to satisfying certain conditions, the payment of the Series 2026A Bonds will be guaranteed by the corpus of the Permanent School Fund of the State of Texas. In the event of default, registered owners will receive all payments due on the Bonds from the Permanent School Fund, and the Charter District Bond Guarantee Reserve would be the first source to pay debt service if a charter school was unable to make such payment.

The Series 2026B Bonds will not be guaranteed by the Permanent School Fund Guarantee Program of the State of Texas. See "APPENDIX E – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" for pertinent information regarding the Permanent School Fund Guarantee Program. The disclosure regarding the Permanent School Fund Guarantee Program in APPENDIX E is incorporated herein and made a part hereof for all purposes.

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

Litigation Relating to the Texas Public School Finance System

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

On May 13, 2016, the Court issued its opinion in the most recent school finance litigation, *Morath, et.al v. The Texas Taxpayer and Student Fairness Coalition*, et al., No. 14-0776 (Tex. May 13, 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 Litigation and Changes in Law on District Bonds

The Court's decision in *Morath* upheld the constitutionality of the Finance System but noted that the Financing 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 conversion and delivery, will be entitled to the protections afforded previously existing contractual obligations under the Contract Clauses, the District can make no representations or predictions concerning the effect of future legislation, or any litigation that may be associated with such legislation, on the District's financial condition, revenues or operations. While the enactment of future legislation to address school funding in Texas could adversely affect the financial condition, revenues or operations of the District, the District does not anticipate that the security for payment of the Bonds, specifically, the District's obligation to levy an unlimited debt service tax and any Permanent School Fund guarantee of the Bonds would be adversely affected by any such legislation. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM."

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

Overview

The following language constitutes only a summary of the Finance System. The information contained under the captions "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" and "TAX RATE LIMITATIONS" is subject to change, and only reflects the District's understanding based on information available to the District as of the date of this Official Statement. For a more complete description of school finance and fiscal management in the State, reference is made to Chapters 43 through 49 of the Texas Education Code, as amended. Additionally, prospective investors are encouraged to review the Property Tax Code (as defined herein) for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the defined tax rates.

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

2025 Legislative Session

The regular session of the 89th Texas Legislature (the "Legislature") commenced on January 14, 2025 and concluded on June 2, 2025 (the "89th Regular Session"). The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor of Texas (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 (any such special sessions, together with the 89th Regular Session, are collectively referred to herein as the "2025 Legislative Sessions"). The Governor has called and the Legislature has concluded two special sessions since the conclusion of the 89th Regular Session. Additional special sessions may be called by the Governor. During such time, the Legislature may enact laws that materially change current law as it relates to funding public schools, including the District and its finances.

During the 89th Regular Session, the Legislature considered a general appropriations act and legislation affecting the Finance System and ad valorem taxation procedures and exemptions, and investments, among other legislation affecting school districts and the administrative agencies that oversee school districts. Legislation passed by both houses of the Legislature increases: (1) the State mandated general homestead exemption from $100,000 to $140,000, (2) the additional exemption on the residence homesteads of those at least sixty-five (65) years of age or disabled from $10,000 to $60,000, and (3) the exemption for tangible personal property used in the "production of income" from $2,499 to $125,000. Voters approved constitutional amendments authorizing the new exemptions at an election held on November 4, 2025. Additionally, the Legislature passed legislation that authorizes roughly $8.5 billion in funding for public schools and provides districts with a $55 per-student increase to their base funding, as well as additional funding for teacher and staff salaries, educator preparation, special education, safety requirements and early childhood learning. Finally, legislation passed by the Legislature created an education savings account program (commonly referred to as vouchers) for students that attend private schools or home school.

The legislation became effective September 1, 2025, though families will not receive ESA funds until the 2026-2027 school year. The amount spent for purposes of the program for the 2025-2027 biennium may not exceed $1 billion. Beginning on September 1, 2027, the legislation requires the Legislature to re-appropriate funds for the program for each subsequent State fiscal biennium. Such program could impact attendance in the District by incentivizing students to homeschool or attend private schools, which could negatively affect the District's attendance based funding.

Local Funding for School Districts

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

State Compression Percentage

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

Maximum Compressed Tax Rate

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

In calculating and making available school districts' MCRs for the 2025-2026 school year, the TEA calculated and made available the rates as if the increase in the residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, as proposed by the 89th Legislature, Regular Session, 2025, took effect. Such calculation for the 2025-2026 school year expires September 1, 2026. At a statewide election held on November 4, 2025, voters approved constitutional amendments which increase (1) the State mandated general homestead exemption from $100,000 to $140,000, and (2) the additional exemption on the residence homesteads of those at least sixty-five (65) years of age or disabled from $10,000 to $60,000. Such constitutional amendments take effect for the tax year beginning January 1, 2025.

Tier One Tax Rate

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

Enrichment Tax Rate

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

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

State Funding for School Districts

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

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

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

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

Tier One

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

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

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

Tier Two

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

Existing Debt Allotment, Instructional Facilities Allotment, and New Instructional Facilities Allotment

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

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

Since future-year IFA awards were not funded by the State Legislature for the 2026-2027 State fiscal biennium and debt service assistance on school district bonds that are not yet eligible for EDA is not available, debt service payments during the 2028-2027 State fiscal biennium on new bonds issued by school districts in the 2026-2027 State fiscal biennium to construct, acquire and improve facilities must be funded solely from local I&S taxes, except to the extent the bonds of a school district are eligible for hold harmless funding from the State for local tax revenue lost as a result of an increase in the mandatory homestead exemption. See "State Funding For School Districts – Tax Rate and Funding Equity" below.

A school district may also qualify for a NIFA allotment, which provides assistance to school districts for operational expenses associated with opening new instructional facilities or a renovated portion of an instructional facility to be used for the first time to provide high-cost and undersubscribed career and technology education programs, as determined by the Commissioner. In the 89th Regular Session, the Legislature appropriated funds in the amount of $100,000,000 for each fiscal year of the 2026-2027 State fiscal biennium for NIFA allotments.

Tax Rate and Funding Equity

The Commissioner may proportionally reduce the amount of funding a school district receives under the Foundation School Program and the ADA calculation if the school district operates on a calendar that provides less than the State-mandated minimum instruction time in a school year. The Commissioner may also adjust a school district's ADA as it relates to State funding where disaster, flood, extreme weather or other calamity has a significant effect on a school district's attendance.

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

Local Revenue Level in Excess of Entitlement

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

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

Options for Local Revenue Levels in Excess of Entitlement

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

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

THE SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT

For the 2025-2026 school year, the District was not designated as an "excess local revenue" district by the TEA. Accordingly, the District has not been required to exercise one of the wealth equalization options permitted under applicable State law. As a district with local revenue less than the maximum permitted level, the District may benefit in the future by agreeing to accept taxable property or funding assistance from, or agreeing to consolidate with, a property-rich district to enable such district to reduce its wealth per student to the permitted level.

A district's 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 of Entitlement" herein).

For a detailed discussion of State funding for school districts see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM."

As State funding makes up a larger percentage of school district funding, ADA will become a more significant factor in the amount of funding received by the District. The District is experiencing stabilizing enrollment that is expected to continue over the next ten years. Flattening growth is partly due to the District being mostly built-out.

TAX RATE LIMITATIONS

M&O Tax Rate Limitations

The District is authorized to levy an M&O tax rate pursuant to the approval of the voters of the District in accordance with the provisions of Article 2784e-1, Texas Revised Civil Statutes Annotated, as amended.

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

Furthermore, a school district can not 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 approve the adopted rate.

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."

Section 45.0031 of the Texas Education Code, as amended, requires a school district to demonstrate to the Texas Attorney General that it has the prospective ability to pay its maximum annual debt service on a proposed issue of bonds and all previously issued bonds, other than bonds approved by voters of a school district at an election held on or before April 1, 1991 and issued before September 1, 1992 (or debt issued to refund such bonds, collectively, "exempt bonds"), from a tax levied at a rate of $0.50 per $100 of assessed valuation before bonds may be issued (the "50-cent Test"). In demonstrating the ability to pay debt service at a rate of $0.50, a school district may take into account EDA and IFA allotments to the school district, which effectively reduces the school district's local share of debt service, and may also take into account Tier One funds allotted to the school district. If a school district exercises this option, it may not adopt an I&S tax until it has credited to the school district's I&S fund an amount equal to all State allotments provided solely for payment of debt service and any Tier One funds needed to demonstrate compliance with the threshold tax rate test and which is received or to be received in that year. Additionally, a school district may demonstrate its ability to comply with the 50-cent Test by applying the $0.50 tax rate to an amount equal to 90% of projected future taxable value of property in the school district, as certified by a registered professional appraiser, anticipated for the earlier of the tax year five (5) years after the current tax year or the tax year in which the final payment for the bonds is due. However, if a school district uses projected future taxable values to meet the 50-cent Test and subsequently imposes a tax at a rate greater than $0.50 per $100 of valuation to pay for bonds subject to the test, then for subsequent bond issues, the Texas Attorney General must find that the school district has the projected ability to pay principal and interest on the proposed bonds and all previously issued bonds subject to the 50-cent Test from a tax rate of $0.45 per $100 of valuation. Once the prospective ability to pay such tax has been shown and the bonds are issued, a school district may levy an unlimited tax to pay debt service. Refunding bonds issued pursuant to Chapter 1207, Texas Government Code, are not subject to the 50-cent Test; however, taxes levied to pay debt service on such bonds (other than bonds issued to refund exempt bonds) are included in maximum annual debt service for calculation of the 50-cent Test when applied to subsequent bond issues that are subject to the 50-cent Test. The Series 2026A Bonds are issued as in part as school building bonds under Chapter 45, Texas Education Code and are subject to the 50-cent test. The Series 2026B Bonds are issued as refunding bonds pursuant to Chapter 1207 and are, therefore, not subject to the 50 cent Test; however, taxes levied to pay debt service on the Bonds are included in the calculation of the 50 cent Test as applied to subsequent issues of "new debt". The District has not used State assistance other than EDA or IFA allotment funding or projected property values to satisfy this threshold test.

Public Hearing and Voter-Approval Tax Rate

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

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

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

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

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

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

AD VALOREM TAX PROCEDURES

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Reference is made to Title I of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - 2025 Legislative Session" for a discussion of current affecting ad valorem taxation.

Valuation of Taxable Property

The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the District is the responsibility of the Harris Central Appraisal District (the "Appraisal District"). Except as 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 each Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three 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. See "- District and Taxpayer Remedies").

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 (the "10% Homestead Cap"). The 10% increase is cumulative, meaning the maximum increase is 10% times the number of years since the property was last appraised.

Through December 31, 2026 an appraisal district is prohibited from increasing the appraised value of real property during the 2025 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than $5.16 million dollars (the "maximum property value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. The maximum property value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity ("Productivity Value"). 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 "– District and Taxpayer Remedies."

State Mandated Homestead Exemption

State law grants, with respect to each school district in the State, (1) a $100,000 exemption of the appraised value of all homesteads (which in some instances may be prorated in the first year the exemption is granted based on the amount of time the homestead was owned), (2) a $10,000 exemption of the appraised value of the homesteads of persons 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.

Legislation passed by both houses of the Legislature during the 89th Regular Session and approved by the voters increases: (1) the State mandated general homestead exemption from $100,000 to $140,000, and (2) the additional exemption on the residence homesteads of those at least sixty-five (65) years of age or disabled from $10,000 to $60,000.

Local Option Homestead Exemption

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

Cities, counties, and school districts are prohibited from repealing or reducing an optional homestead exemption described in clause (1) above that was granted in tax year 2022 through December 31, 2027.

State Mandated Freeze on School District Taxes

Except for increases attributable to certain improvements, a school district is prohibited from increasing the total ad valorem tax on the 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.

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

Personal Property

Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the “production of income” is taxed based on the property’s market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

Legislation passed by the State Legislature and approved by the voters provides a person with an exemption from taxation by a taxing unit of $125,000 of the appraised value of tangible personal property the person owns that is held or used for the production of income and has taxable situs at the same location in the taxing unit. A person who leases tangible personal property is also entitled to a tax exemption of $125,000, regardless of where the property is located in the taxing unit.

Freeport and Goods-in-Transit Exemptions

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

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

Other Exempt Property

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

Temporary Exemption for Qualified Property Damaged by a Disaster

The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the Governor to be a disaster area following a disaster and is at least 15 percent physically damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. 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.

Tax Increment Reinvestment Zones

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

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

Tax Limitation Agreements

The Texas Economic Development Act (Chapter 313, Property Tax Code), allows school districts to grant limitations on appraised property values to certain corporations and limited liability companies to encourage economic development within the school district. Generally, during the last eight (8) years of the ten-year term of a tax limitation agreement, a school district may only levy and collect M&O taxes on the agreed-to limited appraised property value. For the purposes of calculating its Tier One and Tier Two entitlements, the portion of a school district's property that is not fully taxable is excluded from the school district's taxable property values. Therefore, a school district will not be subject to a reduction in Tier One or Tier Two State funds as a result of lost M&O tax revenues due to entering into a tax limitation agreement. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts." The 87th Texas Legislature did not vote to extend this program, which expired by its terms effective December 31, 2022.

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

Tax Abatement Agreements

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

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

District and Taxpayer Remedies

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

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

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda that could result in the repeal of certain tax increases. See "TAX RATE LIMITATIONS – Public Hearing and Voter-Approval Tax Rate." 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.

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 within its boundaries. The Appraisal District is governed by a board of directors appointed by voters of the governing bodies of various political subdivisions located in Harris County.

The District grants a State mandated $140,000 general residence homestead exemption.

The District grants a State mandated $60,000 residence homestead exemption for persons 65 years of age or older or the disabled. The District also grants a $5,000 local option, additional exemption for persons who are 65 years of age or older above the amount of the State-mandated exemption.

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

The District has not granted a local option, additional exemption of up to 20% of the market value of residence homesteads.
Ad valorem taxes are not levied by the District against the exempt value of residence homesteads for the payment of debt.

The District does not tax nonbusiness personal property.

The District has granted the Freeport Property tax exemption.

The District has taken action to tax "Goods-in-Transit."

The District is not currently a participant in any tax abatement or tax limitation agreements.
Split payments of taxes are not permitted. Discounts for the early payment of taxes are not permitted.

WEATHER EVENTS

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

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. To date, the District has not been the victim of any cyber-attack that has had a material adverse effect on its operations or financial condition.

EXPOSURE TO OIL AND GAS INDUSTRY

In the past, the greater Houston area has been particularly affected by adverse conditions in the oil and gas industry, and adverse conditions in the oil and gas industry and spillover effects into other industries could adversely impact the businesses of ad valorem property taxpayers and the property values in the District, resulting in a reduction in property tax revenue. The Bonds are secured by an ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds. Reductions in oil and gas revenues may also have an adverse effect on State revenues available during the next biennium, which may impact how the State funds education.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Under the Texas Public Security Procedures Act (Texas Government Code, Chapter 1201), the Bonds are (i) negotiable instruments, (ii) investment securities to which Chapter 8 of the Texas Business and Commerce Code applies, and (iii) 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), 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 "RATINGS"). 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.

INVESTMENTS

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

Legal Investments

Under State law, the District is authorized to invest in (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 are unconditionally 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 of the District 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 United States 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 Chapter 2256, Texas Government Code (the "Public Funds Investment Act"), 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 Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or their respective successors, and 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), 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 as defined in the Public Funds Investment Act, that have a defined termination date, are secured by a combination of cash and obligations described in clauses (1) or (13) in this paragraph, 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) 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 (13) through (15) below, 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; (12) certain bankers' acceptances with stated maturity of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated not less than "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (13) commercial paper with a stated maturity of 365 days or less that is rated not less than "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 United States or state bank; (14) no-load money market mutual funds registered with and regulated by the 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 (15) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and have 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.

A political subdivision such as the District may enter into 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, other than the prohibited obligations described below, (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 (13) through (15) 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. 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 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.

As a school district that qualifies as an issuer under Chapter 1371, the District is also authorized to purchase, sell and invest its funds in corporate bonds that, at the time of purchase, are rated by a nationally recognized investment rating firm "AA-" or the equivalent and have a stated final maturity that is not later than the third anniversary of the date the corporate bonds were purchased. State law defines "corporate bonds" as senior secured debt obligations issued by a domestic business entity and rated not lower than "AA-" or the equivalent by a nationally recognized investment rating firm. The term does not include unsecured debt obligations or debt obligations that, on conversion, would result in the holder becoming a stockholder or shareholder in the entity that issued the debt obligation. The District may not (1) invest in the aggregate more than 15% of its monthly average fund balance, excluding funds held for the payment of debt service, in corporate bonds or (2) invest more than 25% of the funds invested in corporate bonds in any one domestic business entity, including subsidiaries and affiliates of the entity. The investment officer of the District must sell any corporate bonds not later than seven days after a nationally recognized investment rating firm (1) issues a release that places the corporate bonds or the entity that issued the corporate bonds on negative credit watch or the equivalent, if the corporate bonds are rated "AA-" or the equivalent at the time the release is issued; or (2) changes the rating on the corporate bonds to a rating lower than "AA-" or the equivalent. The District may invest its funds in corporate bonds only if the Board of Trustees of the District (1) amends its investment policy to authorize corporate bonds as an eligible investment; (2) adopts procedures to provide for the monitoring of rating changes in corporate bonds and liquidating the investment in corporate bonds; and (3) identifies the funds eligible to be invested in corporate bonds.

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 Public Funds Investment Act. 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 of Trustees detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and the fully accrued interest for the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) Texas law. No person may invest District funds without express written authority from the Board of Trustees.

Additional Provisions

Under State law, the District is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a written instrument by rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and recording any changes made to either its investment policy or investment strategy; (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 of Education; (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 District's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the District and the business organization attesting to these requirements; (5) perform an annual 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 repurchase 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.

Current Investments

For a list and description of the District's investments as please see Appendix A attached hereto.

EMPLOYEES' BENEFIT PLANS

The District's employees participate in a retirement plan (the "Plan") with the State of Texas. The Plan is administered by the Teacher Retirement System of Texas ("TRS"). State contributions are made to cover costs of the TRS retirement plan up to certain statutory limits.

The District is obligated for a portion of TRS costs relating to employee salaries that exceed the statutory limit. For the year ended June 30, 2025, the State contributed $16,659,239 to TRS on behalf of the District, District employees paid $32,929,056 and other contributions into the plan made from federal and private grants and the District for salaries above the statutory minimum were $21,843,926. For more detailed information concerning the Plan, see Note 11 to the District's audited financial statements for the fiscal year ended June 30, 2025 attached hereto as Appendix D.

In addition to its participation in the TRS, 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. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under the TRS. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. For more detailed information concerning the District's funding policy and contributions in connection with TRS-Care, see Note 12 to the District's audited financial statements for the fiscal year ended June 30, 2025 attached hereto as Appendix D.

The Government Accounting Standards Board (GASB) has issued GASB Statements No. 68, No. 73, and No. 82 regarding pension issues. The implementation of these statements is reflected in the financial statements and the notes to the financial statements.

Formal collective bargaining agreements relating directly to wages and other conditions of employment are prohibited by Texas law, as are strikes by teachers. There are various local, state and national organized employee groups who engage in efforts to better the 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.

In June 2015, GASB Statement No. 75 (Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions – which supersedes GASB Statement No. 45) ("GASB 75") was issued to improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions ("OPEB"). GASB 75 requires reporting entities, such as the District, to recognize their proportionate share of the net OPEB liability in the TRS-Care Plan and a deferred outflow for the contributions made by the District subsequent to the measurement date in the Statement of Net Position, a government-wide financial statement. The changes related to OPEB in the Statement of Net Position to implement GASB 75 are reflected in the Statement of Activities, a government-wide financial statement. The changes related to the OPEB affect only the government-wide financial statements and do not affect the General Fund balance. The calculation of OPEB contributions is unaffected by the change. Such reporting began with the District's fiscal year ended June 30, 2019. To date, the District has met all funding requirements of the TRS-Care Plan. For more detailed information concerning the District's share of the net OPEB liability in the TRS-Care Plan, see the District's audited financial statements attached hereto as APPENDIX D.

RATINGS

Standard and Poor's Global Ratings ("S&P") and Moody's Investors Service, Inc. ("Moody's") are expected to assign municipal bond ratings of "AAA" and "Aaa" respectively to the Series 2026A Bonds based upon the guarantee of the Permanent School Fund for the Series 2026A Bonds. The Series 2026B Bonds do not carry any enhanced rating. S&P has assigned its underlying unenhanced rating of "AA" to the Bonds, and Moody's has assigned its underlying unenhanced rating of "Aa1."

An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the view of such organization and the District makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating company, if in the judgment of such rating company, circumstances so warrant. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

LEGAL MATTERS

The District will furnish to the Underwriters a complete transcript of the proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Bonds are valid and legally binding obligations of the District, and based upon examination of such transcript of proceedings, the approving legal opinion of Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Bond Counsel in substantially the form attached hereto as APPENDIX C.

Bond Counsel did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect hereto or undertaken independently to verify any of the information contained herein except that in its capacity as Bond Counsel, such firm has reviewed the information appearing under captions or subcaptions "THE BONDS" (except for the information under the subcaptions "Permanent School Fund Guarantee," as to which no opinion is expressed), "PLAN OF FINANCING – Purpose," "PLAN OF FINANCING – Refunded Bonds," and "CONTINUING DISCLOSURE OF INFORMATION" and Bond Counsel is of the opinion that the statements and information contained therein fairly and accurately reflect the provisions of the Order; further, Bond Counsel has reviewed the statements and information contained in this Official Statement under the captions and sub-captions "LEGAL MATTERS,"(except for the third paragraph) "TAX MATTERS," "REGISTRATION AND QUALIFICATION OF BONDS FOR SALE," "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS," "CURRENT PUBLIC SCHOOL FINANCE SYSTEM," "TAX RATE LIMITATIONS - M&O Tax Rate Limitations" (first paragraph only), and "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," and Bond Counsel is of the opinion that the statements and information contained therein are correct as to matters of law. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the definitive Bonds in the event of the discontinuance of the Book-Entry-Only System.

Certain legal matters will be passed upon for the Underwriters by Bracewell LLP, Houston, Texas, Counsel for the Underwriters. The legal fees of such firm is contingent upon the sale and delivery of the Bonds.

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

TAX MATTERS

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX C hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislature proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, Beneficial Owners would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

Payments on the Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate Beneficial Owner of Bonds may be subject to backup withholding with respect to "reportable payments," which include interest paid on the Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against a Beneficial Owner's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain Beneficial Owners (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. The failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission 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 United States Securities and Exchange Commission, nor has the United States Securities and Exchange Commission 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 acts of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

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

CONTINUING DISCLOSURE OF INFORMATION

In the Order, the District has made the following agreement for the benefit of the 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 MSRB via the EMMA system at www.emma.msrb.org. This information will be available free of charge from the MSRB.

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually free of charge via EMMA. The information to be updated includes quantitative financial information and operating data with respect to the District of the general type included in this Official Statement in "APPENDIX A - FINANCIAL INFORMATION REGARDING THE DISTRICT" and in APPENDIX D. The District will update and provide this information within six months after the end of each fiscal year.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12, as amended and in effect from time to time (the "Rule"). The updated information will include audited financial statements, if the District commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the District will provide unaudited financial statements to such persons within the required time and audited financial statements when and if the audit report becomes available. Any financial statements will be prepared in accordance with the accounting principles described in APPENDIX D or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

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

Notices of Certain Events

The District will also provide timely notices of certain events to the MSRB. The District will provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a Financial Obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties. Neither the Bonds nor the Order make any provision for debt service reserves, credit enhancement (except with respect to the Permanent School Fund guarantee), or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information and operating data in accordance with its agreement described in this section. The District will provide each notice described in this paragraph to the MSRB.

For these purposes, (A) 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, (B) as used in clauses (15) and (16) in the immediately preceding paragraph, "Financial Obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities as to which a final Official Statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule, and (C) the District intends the words used in clauses (15) and (16) and the definition of Financial Obligation to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018 (the "2018 Release") and any further written guidance provided by the SEC or its staff with respect to the amendments to the Rule effected by the 2018 Release.

All documents provided to the MSRB pursuant to this section shall be accompanied by identifying information as prescribed by the MSRB.

Availability of Information from MSRB

The District has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of certain 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 the 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 and beneficial owners of the 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 the Bonds in the offering made hereby 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 registered owners of a majority in aggregate principal amount (or any greater amount required by any other provisions of the Order that authorizes such amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the registered owners and beneficial owners of the Bonds. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the District may also amend the provisions of its continuing disclosure agreement in its discretion in any other manner or circumstance, but in any 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. 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 type of information and data provided.

FINANCIAL ADVISOR

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

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

UNDERWRITERS

The Underwriters have agreed, subject to certain customary conditions, to purchase the Bonds at a price of $_________ (representing the principal amount of the Bonds plus a [net] reoffering premium of $_______, less an underwriting discount of $_______). The Underwriters' obligations are subject to certain conditions precedent, and the Underwriters will be obligated to purchase all of the Bonds if any 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 in accordance with, and as part of their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The Underwriters and their respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriters and their respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriters and their respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the Issuer. The Underwriters and their respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the Issuer.

RBC Capital Markets, LLC ("RBCCM"), an underwriter of the Bonds, has entered into a distribution arrangement with its affiliate City National Securities, Inc. ("CNS"). As part of this arrangement, RBCCM may distribute municipal securities to investors through the financial advisor network of CNS. As part of this arrangement, RBCCM may compensate CNS for its selling efforts with respect to the Bonds.

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

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

VERIFICATION OF ARITHMETICAL COMPUTATIONS

Public Finance Partners LLC will deliver to the District, on or before the settlement date of the Bonds, its verification report indicating that it has verified, the mathematical accuracy of the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Federal Securities, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Bonds.

The verification performed by Public Finance Partners LLC will be solely based upon data, information and documents provided to Public Finance Partners LLC by Post Oak Municipal Advisors LLC, on behalf of the District. Public Finance Partners LLC has restricted its procedures to recalculating the computations provided by Post Oak Municipal Advisors LLC on behalf of the District and has not evaluated or examined the assumptions or information used in the computations.

LITIGATION

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

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.

AUDITED FINANCIAL STATEMENTS

Whitley Penn LLP, the District's independent auditor, has not reviewed, commented on, or approved, and is not associated with, this Official Statement. The report of Whitley Penn LLP relating to District's financial statements for the fiscal year ended June 30, 2025 is included in this Official Statement in APPENDIX D; however, Whitley Penn LLP 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.

CONCLUDING STATEMENT

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

MISCELLANEOUS

The Order authorizing the issuance of the Bonds approves the use of this Official Statement and any addenda, supplement or amendment thereto in the reoffering of the Bonds by the Underwriters in accordance with the provisions of the United States Securities and Exchange Commission's rule codified at 17 C.F.R. §240.15c2-12, as amended

SCHEDULE I
SCHEDULE OF SERIES 2026A REFUNDED BONDS

Unlimited Tax School Building Bonds, Series 2016A

Original Maturity	Interest Rate	Principal Outstanding	Principal Refunded	Redemption Date	Redemption Price
2/15/2027	5.000%	$1,520,000	$1,520,000	2/15/2026	100.000%
2/15/2028	5.000%	1,600,000	1,600,000	2/15/2026	100.000%
2/15/2029	5.000%	1,675,000	1,675,000	2/15/2026	100.000%
2/15/2030	5.000%	1,760,000	1,760,000	2/15/2026	100.000%
2/15/2031	4.000%	1,850,000	1,850,000	2/15/2026	100.000%
2/15/2032	4.000%	1,925,000	1,925,000	2/15/2026	100.000%
2/15/2033	4.000%	2,000,000	2,000,000	2/15/2026	100.000%
2/15/2034	4.000%	2,080,000	2,080,000	2/15/2026	100.000%
2/15/2035	4.000%	2,165,000	2,165,000	2/15/2026	100.000%
2/15/2036	4.000%	2,250,000	2,250,000	2/15/2026	100.000%
		$18,825,000	$18,825,000		

Unlimited Tax Refunding Bonds, Series 2016B

Original Maturity	Interest Rate	Principal Outstanding	Principal Refunded	Redemption Date	Redemption Price
2/15/2027	5.000%	$9,220,000	$9,220,000	2/15/2026	100.000%
2/15/2032	4.000%	10,895,000	10,895,000	2/15/2026	100.000%
2/15/2034	4.000%	1,340,000	1,340,000	2/15/2026	100.000%
		$21,455,000	$21,455,000		

SCHEDULE II
SCHEDULE OF SERIES 2026B REFUNDED BONDS

Unlimited Tax Refunding Bonds, Series 2016C

Original Maturity	Interest Rate	Principal Outstanding	Principal Refunded	Redemption Date	Redemption Price
2/15/2027	5.000%	$5,745,000	$5,745,000	2/15/2026	100.000%
2/15/2028	5.000%	6,065,000	6,065,000	2/15/2026	100.000%
2/15/2029	5.000%	6,380,000	6,380,000	2/15/2026	100.000%
2/15/2030	5.000%	6,715,000	6,715,000	2/15/2026	100.000%
2/15/2031	4.000%	6,960,000	6,960,000	2/15/2026	100.000%
2/15/2032	4.000%	7,250,000	7,250,000	2/15/2026	100.000%
2/15/2033	4.000%	7,545,000	7,545,000	2/15/2026	100.000%
		$46,660,000	$46,660,000		

SCHEDULE III
DEBT SERVICE REQUIREMENTS AS OF YEARS ENDING AUGUST 31

Fiscal Year Ending (8/31)	Principal	Interest	Total Debt Service Requirements
2026	$ 50,825,000	$ 56,152,141	$ 106,977,141
2027	52,960,000	57,436,744	110,396,744
2028	57,000,000	55,018,794	112,018,794
2029	55,055,000	52,396,619	107,451,619
2030	57,660,000	49,874,275	107,534,275
2031	52,835,000	47,229,037	100,064,037
2032	55,160,000	44,542,287	99,702,287
2033	50,710,000	42,119,962	92,829,962
2034	44,190,000	39,981,562	84,171,562
2035	44,695,000	38,113,512	82,808,512
2036	45,090,000	36,195,394	81,285,394
2037	47,705,000	34,436,800	82,141,800
2038	49,445,000	32,690,687	82,135,687
2039	51,325,000	30,795,850	82,120,850
2040	46,035,000	28,823,456	74,858,456
2041	47,835,000	27,013,750	74,848,750
2042	46,900,000	25,103,475	72,003,475
2043	47,215,000	23,246,525	70,461,525
2044	49,230,000	21,195,369	70,425,369
2045	52,890,000	19,061,956	71,951,956
2046	54,960,000	16,989,956	71,949,956
2047	57,055,000	14,883,331	71,938,331
2048	59,305,000	12,625,181	71,930,181
2049	61,540,000	10,379,819	71,919,819
2050	48,055,000	8,043,719	56,098,719
2051	39,655,000	6,212,638	45,867,638
2052	36,260,000	4,615,825	40,875,825
2053	25,935,000	3,071,300	29,006,300
2054	27,105,000	1,892,500	28,997,500
2055	18,975,000	659,975	19,634,975
	$ 1,433,605,000	$ 840,802,441	$ 2,274,407,441

APPENDIX A
FINANCIAL INFORMATION REGARDING THE DISTRICT

FINANCIAL INFORMATION REGARDING THE DISTRICT

TABLE 1 – VALUATION, EXEMPTIONS, AND TAX SUPPORTED DEBT

2025/26 Appraised Valuation Established by Harris Central Appraisal District *(Excludes Fully Exempt Property)*	$	31,655,701,112	
Less: Exemptions/Reductions at 100% Market Value			
Residential Homestead Exemptions		(7,314,999,529)	
Disabled Veterans Exemption		(517,157,110)	
Over 65, Surviving Spouse and/or Disabled Homestead Exemptions		(959,926,659)	
Freeport Exemptions		(74,350,037)	
10% CAP Adjustment		(507,289,241)	
Abatements and Other Exemptions		(307,225,031)	
Total Exemptions/Reductions at 100% Market Value	$	(9,680,947,607)	
2025/26 Taxable Assessed Valuation Established by Harris Central Appraisal District	$	21,974,753,505	[a]
Debt Payable from Ad Valorem Taxes:			
Outstanding Unlimited Tax Bonds (as of December 3, 2025)	$	1,295,795,000	
Plus: The Bonds		224,750,000	*
Less: The Refunded Bonds		(86,940,000)	*
Total Debt Payable from Ad Valorem Taxes	$	1,433,605,000	*
Less: Estimated Interest and Sinking Fund Balance June 30, 2026		(89,227,983)	[b]
Net Debt Payable from Ad Valorem Taxes	$	1,344,377,017	
Ratio of Tax Supported Debt to Taxable Assessed Valuation		6.52%	
2025/26 Estimated Population		204,178	[c]
Per Capita Taxable Assessed Valuation	$	107,625	
Per Capita Tax Supported Debt	$	7,021	

* Preliminary, subject to change.

[a] Certified values established by the Harris Central Appraisal District and subject to change during ensuing year. Values include the application of a State-mandated $140,000 general homestead exemption and a State-mandated $60,000 homestead exemption for persons 65 years of age or older and the disabled.

[b] The amount represents unaudited information. The unaudited information has not been prepared or reviewed by the District's independent auditor. The unaudited information is derived from internal account balances of the District. The unaudited information is subject to revision upon completion of the District's annual audit.

[c] Source: Municipal Advisory Council of Texas.

TABLE 2 – TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Taxable Appraised Value for Fiscal Year Ended June 30,					
	2026[a]		2025[b]		2024[b]	
Type of Property	Amount	%	Amount	%	Amount	%
Residential	$ 16,383,837,511	74.56%	$ 18,634,993,057	78.17%	$ 17,882,356,042	78.56%
Commercial & Industrial	4,922,101,043	22.40%	4,568,095,302	19.16%	4,309,855,271	18.94%
Commercial & Residential Acreage	281,564,520	1.28%	274,636,845	1.15%	259,510,610	1.14%
Undeveloped Land	50,683,060	0.23%	60,727,075	0.25%	76,373,987	0.34%
Utilities, Minerals & Pipelines	336,567,371	1.53%	300,282,470	1.26%	233,143,969	1.02%
Total A.V.	$ 21,974,753,505 [c]		$ 23,838,734,749		$ 22,761,239,879	

	Taxable Appraised Value for Fiscal Year Ended June 30,			
	2023		2022	
Type of Property	Amount	%	Amount	%
Residential	$ 18,148,755,951	79.93%	$ 15,966,347,577	79.14%
Commercial & Industrial	3,975,534,975	17.51%	3,656,533,309	18.12%
Commercial & Residential Acreage	276,337,377	1.22%	271,969,918	1.35%
Undeveloped Land	72,003,533	0.32%	75,411,939	0.37%
Utilities, Minerals & Pipelines	232,395,458	1.02%	204,785,728	1.02%
Total A.V.	$ 22,705,027,294		$ 20,175,048,471	

Source: Harris Central Appraisal District.

NOTE: Valuations shown are taxable assessed values reported by the Harris Central Appraisal District to the State Comptroller of Public Accounts. Values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records and may differ from those shown in prior financial statements and elsewhere in the Official Statement.

[a] Values include the application of a $140,000 State mandated general homestead exemption and a $60,000 State-mandated residence homestead exemption for persons 65 years of age or older and the disabled.

[b] Values include the application of a $100,000 State mandated general homestead exemption and a $10,000 State-mandated residence homestead exemption for persons 65 years of age or older and the disabled.

[c] The reduction in taxable assessed valuation from fiscal year 2025 to fiscal year 2026 is primarily due to the increase in state mandated exemptions as described in footnote (a).

TABLE 3 – VALUATION AND TAX SUPPORTED DEBT HISTORY

Fiscal Year Ended 6/30	Estimated Population[a]	Taxable Assessed Valuation[b]	Taxable Asssessed Valuation per Capita	Taxable Supported Debt Outstanding at End of Year	Supported Debt to Taxable Assessed Valuation	Tax Supported Debt per Capita
2022	203,239	$20,175,048,471	$99,268	$955,445,000	4.74%	$4,701
2023	204,950	22,705,027,294	110,783	1,103,745,000	4.86%	5,385
2024	209,423	22,761,239,879	108,685	1,203,935,000	5.29%	5,749
2025	213,013	23,838,734,749 [c]	111,912	1,295,795,000	5.44%	6,083
2026	204,178	21,974,753,505 [c]	107,625	1,382,780,000 [c]	6.29% [c]	6,772 [c]

[a] Source: The Municipal Advisory Council of Texas.

[b] Established by the Harris Central Appraisal District. Subject to change during ensuing year.

[c] Includes the Bonds and excludes the Refunded Bonds. Preliminary, subject to change.

TABLE 4 – TAX RATE DISTRIBUTION

Tax Rate Component	Tax Year 2025	2024	2023	2022	2021
Maintenance[(a)]	$ 0.75520	$ 0.75520	$ 0.75750	$ 0.94290	$ 0.98890
Debt Service	0.35000	0.35000	0.35000	0.35000	0.35000
Total Tax Rate	$ 1.10520	$ 1.10520	$ 1.10750	$ 1.29290	$ 1.33890

[(a)] See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" and "THE SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT" for information regarding the legislatively-mandated compression of the District's M&O tax rate.

TABLE 5 – PRINCIPAL TAXPAYERS

Principal Taxpayer	Type of Property	2025/26 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Centerpoint Energy Inc	Utility	$ 231,966,616	1.06%
Ggp Deerbrook LP	Shopping Center	121,488,815	0.55%
Lake Houston Beltway Associates LLC	Shopping Center	97,784,175	0.44%
Mpld Air 59 LLC	Warehouse/Shopping Ctr	77,032,106	0.35%
Emcp 2727 Bens Branch LP	Apartments	76,356,368	0.35%
Wal Mart	Retail	68,999,605	0.31%
Atascocita 1692 LLC	Shopping Center	65,656,787	0.30%
Nr Main Street At Kingwood LLC	Shopping Center	62,901,127	0.29%
Eleve Apartments Ltd	Apartments	60,354,421	0.27%
Houston Rosemary LLC Etal	Apartments	58,822,462	0.27%
Ipxi Mf Parkway Investors LLC	Apartments	49,159,852	0.22%
Pleasanton Housing Finance Corp	Apartments	48,381,715	0.22%
Kingwood Residences Htx LLC	Apartments	48,345,298	0.22%
Alliance Residential LLC	Apartments	47,513,263	0.22%
Bfd Associates LLC	Apartments	47,159,480	0.21%
Main Sb LLC	Apartments	46,027,100	0.21%
Heb Grocery Co LP	Retail	45,002,454	0.20%
Crp / Pdc Portnorth 59 Owner LP	Warehouse	44,754,902	0.20%
Lake Kylasam Ltd Partnership	Apartments	43,314,858	0.20%
Pointe At West Lake Properties LLC	Apartments	42,158,925	0.19%
		$ 1,383,180,329	6.29%

Source: The District's records.

TABLE 6 – TAX ADEQUACY

2026 Principal and Interest Requirements	$ 101,358,391	[(a)]
Less: Hold Harmless	(28,300,000)	
Net Principal and Interest Requirements	73,058,391	
$0.3376 Tax Rate on 2025/26 Taxable Assessed Valuation at 98.50% Collection Produces	73,073,966	
Estimated Average Annual Debt Service Requirements (2026/27 – 2054/55)	$ 75,813,581	[(a)]
Less: Hold Harmless	(28,300,000)	
Net Average Annual Debt Service Requirements (2026/27 – 2054/55)	47,513,581	
$0.2196 Tax Rate on 2025/26 Taxable Assessed Valuation at 98.50% Collections Produces	47,532,710	
Estimated Maximum Annual Debt Service Requirements (2027/28)	$ 112,223,044	[(a)]
Less: Hold Harmless	(28,300,000)	
Net Maximum Annual Debt Service Requirements (2027/28)	83,923,044	
$0.3878 Tax Rate on 2025/26 Taxable Assessed Valuation at 98.50% Collections Produces	83,939,823	

[(a)] Preliminary, subject to change. Includes the Bonds and excludes the Refunded Bonds.

TABLE 7 – ESTIMATED OVERLAPPING DEBT

Taxing Jurisdiction	Gross Tax Debt as of 8/31/2025	Overlapping Debt: Percentage Overlapping	Overlapping Debt: Overlapping Amount
El Dorado UD	$ 10,970,000	100.00%	$ 10,970,000
Fall Creek Management Dist	6,105,000	100.00%	6,105,000
Generation Park Management Dist	126,625,000	24.28%	30,744,550
Harris Co	2,358,264,736	3.93%	92,679,804
Harris Co Dept of Ed	28,960,000	3.93%	1,138,128
Harris Co Flood Control Dist	963,805,000	3.93%	37,877,537
Harris Co Hosp Dist	867,820,000	3.93%	34,105,326
Harris Co MUD # 46	4,445,000	100.00%	4,445,000
Harris Co MUD # 49	58,495,000	100.00%	58,495,000
Harris Co MUD #106	9,585,000	100.00%	9,585,000
Harris Co MUD #109	17,440,000	100.00%	17,440,000
Harris Co MUD #152	14,575,000	100.00%	14,575,000
Harris Co MUD #153	25,795,000	100.00%	25,795,000
Harris Co MUD #278	48,435,000	100.00%	48,435,000
Harris Co MUD #290	45,780,000	100.00%	45,780,000
Harris Co MUD #344	10,500,000	85.59%	8,986,950
Harris Co MUD #361	3,055,000	100.00%	3,055,000
Harris Co MUD #400	101,225,000	100.00%	101,225,000
Harris Co MUD #412	24,915,000	100.00%	24,915,000
Harris Co MUD #422	29,095,000	100.00%	29,095,000
Harris Co MUD # 423	68,590,000	100.00%	68,590,000
Harris Co MUD #450	13,990,000	100.00%	13,990,000
Harris Co MUD #494	32,025,000	100.00%	32,025,000
Harris Co MUD #499	11,250,000	100.00%	11,250,000
Harris Co MUD #504	109,400,000	100.00%	109,400,000
Harris Co WC&ID # 96	26,400,000	99.95%	26,386,800
Houston, City of	3,438,180,000	2.49%	85,610,682
Lone Star College Sys	436,935,000	8.39%	36,658,847
Pt of Houston Auth	406,509,397	3.93%	15,975,819
San Jacinto CCD	505,569,308	0.89%	4,499,567
Trail of the Lakes MUD	20,335,000	100.00%	20,335,000
Total Estimated Overlapping Debt			$ 1,030,169,009
Humble ISD			$ 1,433,605,000 [a]
Total Direct and Overlapping Debt			$ 2,463,774,009
Total Direct and Overlapping Debt % of 2026 Assessed Valuation			11.21%
Total Direct and Overlapping Debt per Capita			$ 12,067 [b]
Fiscal Year 2025/26 Taxable Assessed Valuation Per Capita			$ 107,625

Source: Municipal Advisory Council of Texas.

[a] Preliminary, subject to change. Includes the Bonds and excludes the Refunded Bonds.

[b] Based on the 2025/26 estimated population of 204,178.

Table 8
PRO-FORMA OUTSTANDING TAX DEBT SERVICE

Fiscal Year Ending (6/30)[(a)]	Outstanding Debt Service Requirements[(a)]	Less: Refunded Bonds*	Plus: The Refunding Series 2026A Bonds* Principal	Plus: The Refunding Series 2026A Bonds* Interest	Plus: The New Money Series 2026A Bonds* Principal	Plus: The New Money Series 2026A Bonds* Interest	Less: Refunded Bonds*	Plus: The Refunding Series 2026B Bonds* Principal	Plus: The Refunding Series 2026B Bonds* Interest	Total Debt Service Requirements[(b)]
2026	$ 102,332,917	$ (884,475)	$ -	$ 158,961	$ -	$ 622,906	$ (1,057,725)	$ -	$ 185,806	$ 101,358,391
2027	104,221,144	(12,508,950)	$10,410,000	1,846,000	-	7,233,750	(7,860,450)	$5,290,000	2,157,750	110,789,244
2028	104,325,694	(2,831,950)	1,250,000	1,325,500	1,335,000	7,233,750	(7,893,200)	5,585,000	1,893,250	112,223,044
2029	99,769,144	(2,826,950)	1,310,000	1,263,000	1,400,000	7,167,000	(7,904,950)	5,875,000	1,614,000	107,666,244
2030	99,864,425	(2,828,200)	1,375,000	1,197,500	1,470,000	7,097,000	(7,920,950)	6,185,000	1,320,250	107,760,025
2031	92,401,062	(2,830,200)	1,445,000	1,128,750	1,545,000	7,023,500	(7,830,200)	6,405,000	1,011,000	100,298,912
2032	92,321,162	(13,726,200)	12,415,000	1,056,500	1,625,000	6,946,250	(7,841,800)	6,735,000	690,750	100,221,662
2033	83,617,912	(2,393,400)	1,705,000	435,750	3,315,000	6,865,000	(7,846,800)	7,080,000	354,000	93,132,462
2034	74,410,462	(3,733,400)	3,130,000	350,500	3,480,000	6,699,250	-	-	-	84,336,812
2035	73,019,612	(2,341,600)	1,895,000	194,000	3,655,000	6,525,250	-	-	-	82,947,262
2036	71,509,144	(2,340,000)	1,985,000	99,250	3,835,000	6,342,500	-	-	-	81,430,894
2037	72,061,800	-	-	-	4,030,000	6,150,750	-	-	-	82,242,550
2038	72,062,187	-	-	-	4,230,000	5,949,250	-	-	-	82,241,437
2039	72,054,100	-	-	-	4,440,000	5,737,750	-	-	-	82,231,850
2040	64,794,331	-	-	-	4,665,000	5,515,750	-	-	-	74,975,081
2041	64,793,625	-	-	-	4,895,000	5,282,500	-	-	-	74,971,125
2042	61,954,225	-	-	-	5,140,000	5,037,750	-	-	-	72,131,975
2043	60,415,775	-	-	-	5,400,000	4,780,750	-	-	-	70,596,525
2044	60,386,369	-	-	-	5,670,000	4,510,750	-	-	-	70,567,119
2045	61,923,456	-	-	-	5,950,000	4,227,250	-	-	-	72,100,706
2046	61,926,456	-	-	-	6,250,000	3,929,750	-	-	-	72,106,206
2047	61,925,081	-	-	-	6,560,000	3,617,250	-	-	-	72,102,331
2048	61,923,181	-	-	-	6,890,000	3,289,250	-	-	-	72,102,431
2049	61,920,944	-	-	-	7,235,000	2,944,750	-	-	-	72,100,694
2050	46,110,594	-	-	-	7,595,000	2,583,000	-	-	-	56,288,594
2051	35,888,763	-	-	-	7,975,000	2,203,250	-	-	-	46,067,013
2052	30,905,700	-	-	-	8,375,000	1,804,500	-	-	-	41,085,200
2053	19,050,300	-	-	-	8,790,000	1,385,750	-	-	-	29,226,050
2054	19,052,000	-	-	-	9,230,000	946,250	-	-	-	29,228,250
2055	9,697,600	-	-	-	9,695,000	484,750	-	-	-	19,877,350
	$ 1,996,639,167	$ (49,245,325)	$ 36,920,000	$ 9,055,711	$ 144,675,000	$ 140,137,156	$ (56,156,075)	$ 43,155,000	$ 9,226,806	$ 2,274,407,441

* Preliminary, subject to change.
[(a)] The District's fiscal year end is June 30. For a schedule of the District's annual debt service requirements calculated based on the State's fiscal year end of August 31, see Schedule III attached hereto.
[(b)] Does not include any deduction for potential funding the District may receive from the State.

TABLE 9 – MAINTENANCE AND OPERATIONS TAX SUPPORTED DEBT
The District currently has no outstanding maintenance and operations tax supported debt.

TABLE 10 – INTEREST AND SINKING FUND BUDGET PROJECTION [a]

Interest and Sinking Fund Balance, June 30, 2025	$ 88,981,032
Plus: 2025/26 Budgeted Local Taxes	74,930,788
Plus: 2025/26 Budgeted Other Local Revenue	4,000,000
Plus: 2025/26 Budgeted Interest Income	2,000,000
Plus: 2025/26 Budgeted Local TIRZ Receipts (Net)	3,434,773
Plus: 2025/26 Budgeted State Program Revenues	13,000,000 [b]
Plus: Capitalized Interest on the Series 2026A Bonds	4,239,781 *
Less: Tax Supported Debt Service Requirements, Fiscal Year Ending June 30, 2026	(101,358,391) *
Estimated Interest and Sinking Fund Balance June 30, 2026	$ 89,227,983

* Preliminary, subject to change.

[a] Based on the District's proposed budget for the 2025/26 fiscal year. Subject to change.

[b] The amount of State funding aid for debt service may substantially differ from year to year, depending on a number of factors, including amounts, if any, appropriated for that purpose by the Texas Legislature from time to time. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - State Funding for School Districts" herein.

TABLE 11 – AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Purpose	Date Authorized	Amount Authorized	Authorization Used to Date	Authorization Used This Issue*[a]	Unused Authorization*
School Buildings	5/7/2022	$ 730,000,000	$ 463,000,000	$ 142,000,000	$ 125,000,000
Technology	5/7/2022	45,000,000	37,000,000	8,000,000	-
		$ 775,000,000	$ 500,000,000	$ 150,000,000	$ 125,000,000

* Preliminary, subject to change.

[a] Includes premium charged against voted authorization.

TABLE 12 – OTHER OBLIGATIONS

In fiscal year 2025, the District reported several leases in accordance with GASB Statement No. 87 Leases. The District is the lessee for copiers, postage meters, and a building space. The future principal and interest lease payments as of June 30, 2025, were as follows:

Fiscal Year Ended (6/30)	Principal	Interest	Total Requirements
2026	$ 377,558	$ 27,796	$ 405,354
2027	296,504	13,228	309,732
2028	180,922	3,929	184,851
	$ 854,984	$ 44,953	$ 899,937

Source: The District's Annual Comprehensive Financial Report for the fiscal year ended June 30, 2025.

In fiscal year 2025, the District reported several subscription-based information technology arrangements in accordance with GASB Statement No. 96 Subscription-Based Information Technology Arrangements (SBITA). The District is under contract for various professional and educational software. The future principal and interest SBITA payments as of June 30, 2025, were as follows:

Fiscal Year Ended (6/30)	Principal	Interest	Total Requirements
2026	$ 895,358	$ 5,016	$ 900,374
2027	186,668	2,089	188,757
2028	187,361	1,395	188,756
2029	188,058	699	188,757
	$ 1,457,445	$ 9,199	$ 1,466,644

Source: The District's Annual Comprehensive Financial Report for the fiscal year ended June 30, 2025.

TABLE 13 – GENERAL FUND REVENUES AND EXPENDITURES HISTORY

	Fiscal Year Ended June 30, 2025	2024	2023	2022	2021
GENERAL OPERATING FUND					
Revenues:					
Local, Intermediate and Out-of-State	$ 195,273,120	$ 180,374,670	$ 223,453,406	$ 201,556,628	$ 196,946,793
State Sources	353,716,387	351,883,334	278,121,142	263,303,664	244,437,980
Federal Sources	5,792,515	2,136,753	8,022,328	17,769,246	14,047,694
Total Revenues	$ 554,782,022	$ 534,394,757	$ 509,596,876	$ 482,629,538	$ 455,432,467
Expenditures:					
Instruction	315,857,293	305,054,858	$ 314,575,249	$ 295,991,141	$ 280,747,241
Instruction Support	128,367,928	123,799,479	97,536,217	83,185,005	78,621,214
Administration	14,424,733	14,374,784	12,010,435	11,024,679	10,549,546
District Operations	62,983,229	61,314,461	58,400,870	53,556,318	51,759,751
Other Expenditures	13,416,967	12,130,069	13,944,707	11,975,592	10,661,685
Total Expenditures	$ 535,050,150	$ 516,673,651	$ 496,467,478	$ 455,732,735	$ 432,339,437
Excess (Deficit) of Revenues Over Expenditures	$ 19,731,872	$ 17,721,106	$ 13,129,398	$ 26,896,803	$ 23,093,030
Other Financing Sources (Uses):					
Sale of Real or Personal Property	$ 24,232	$ 59,325	$ 55,643	$ 68,854	$ 44,908
Other Proceeds	2,127,060	959,683	481,052	-	-
Transfers In	-	-	2,060,000 (2)	9,683,844 (3)	737,700
Transfers Out	(26,600,000)	(20,813,781) (1)	(30,561,000) (4)	(23,866,900) (5)	(14,697,703)
Total Other Financing Sources (Uses)	$ (24,448,708)	$ (19,794,773)	$ (27,964,305)	$ (14,114,202)	$ (13,915,095)
Net Change in General Fund Balance	$ (4,716,836)	$ (2,073,667)	$ (14,834,907)	$ 12,782,601	$ 9,177,935
Beginning General Fund Balance	208,896,971	210,970,638	225,805,545	213,022,944	203,845,009
Ending General Fund Balance	$ 204,180,135	$ 208,896,971	$ 210,970,638	$ 225,805,545	$ 213,022,944
DEBT SERVICE FUND					
Revenue:					
Local Sources	$ 79,738,837	$ 79,376,736	$ 85,445,115	$ 78,029,651	$ 71,535,898
State Sources	13,102,055	15,045,598	3,586,256	1,637,294	1,442,848
Total Revenues	$ 92,840,892	$ 94,422,334	$ 89,031,371	$ 79,666,945	$ 72,978,746
Expenditures:					
Debt Service	$ 94,835,924	$ 89,340,646	$ 82,275,873	$ 74,017,906	$ 97,470,223
Other Expenditures	3,811,249	2,778,280	3,080,323	2,791,588	2,564,383
Total Expenditures	$ 98,647,173	$ 92,118,926	$ 85,356,196	$ 76,809,494	$ 100,034,606
Excess (Deficit) of Revenues Over Expenditures	$ (5,806,281)	$ 2,303,408	$ 3,675,175	$ 2,857,451	$ (27,055,860)
Other Financing Sources (Uses):					
Refunding Bonds Issued	$ 119,585,000	$ -	$ -	$ -	$ 20,520,000
Transfers In	-	-	2,419,419	361,249	1,142,529
Premium or Discount on Issuance of Bonds	16,101,016	2,892,270	4,189,888	2,820	3,203,048
Payments to Refunded Bonds Escrow Agent	(129,555,723)	-	-	-	-
Total Other Financing Sources (Uses)	$ 6,130,293	$ 2,892,270	$ 6,609,307	$ 364,069	$ 24,865,577
Net Change in Debt Service Fund Balance	$ 324,012	$ 5,195,678	$ 10,284,482	$ 3,221,520	$ (2,190,283)
Beginning Debt Service Fund Balance	88,657,020	83,461,342	73,176,860	69,955,340	72,145,623
Ending Debt Service Fund Balance	$ 88,981,032	$ 88,657,020	$ 83,461,342	$ 73,176,860	$ 69,955,340

Source: The District's audited financial statements.

(1) General fund transfer of $5.8 million for one-time expenditure to the capital projects fund to pay for planned capital improvements and transfer of $15 million one-time expenditure to the District's self-funded Medical Plan.

(2) Capital projects fund transfer of one-time reimbursement to the general fund of funds related to Senate Bill 7.

(3) Capital projects fund transfer of one-time reimbursement to the general fund for capital projects in anticipation of bond proceeds.

(4) General fund transfer of $18.6 million for one-time expenditure to the capital projects fund to pay for planned capital improvements and transfer of $12 million one-time expenditure to the District's self-funded Medical Plan.

(5) General fund transfer of $16.6 million for one-time expenditure to the capital projects fund to pay for planned capital improvements and transfer of $7.2 million one-time expenditure to the District's self-funded Medical Plan.

(6) General fund transfer of one-time expenditure to the capital projects fund to pay for planned capital improvements.

TABLE 14 – CURRENT INVESTMENTS

As of August 31, 2025, the District's investable funds were invested in the following categories:

Description	Book Value [a]	Market Value	Percent of Total Market Value
US Bank (Custodial)	$ 326,197,844	$ 326,197,844	59.82%
Lone Star Investment Pool	174,018,136	174,018,136	31.91%
TexPool Investment Pool	16,276,759	16,276,759	2.99%
Bank Deposits and Certificates of Deposit	19,698,777	19,698,777	3.61%
Texas Connect	9,069,203	9,069,203	1.66%
	$ 545,260,720	$ 545,260,720	100.00%

[a] The amount represents unaudited information. The unaudited information has not been prepared or reviewed by the District's independent auditor. The unaudited information is derived from internal account balances of the District. The unaudited information is subject to revision upon completion of the District's annual audit.

APPENDIX B
GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY

GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY

THE DISTRICT

The District is located in the northeast portion of Harris County, three miles east of the Houston-Bush Intercontinental Airport and 21 miles northeast of downtown Houston. It is bounded on the west by U.S. Hwy 59, on the east by Lake Houston, on the north by the Harris-Montgomery County line, and to the south by the City of Houston. U.S. Hwy. 59 and FM 1960 provide entry to the Houston metropolitan area. The Hardy Toll Road is just west of the District and provides additional north-south access to the area. The District encompasses a 90 square mile area which includes the City of Humble and a major portion of Lake Houston.

The City of Humble, Texas is located entirely within the boundaries of the District. The City of Humble's 2020 population was 16,795, increasing 11% since 2010. The 1,200,000 square foot "Deerbrook Mall" is located at the northwest corner of the intersection of U.S. Hwy. 59 and FM 1960. Numerous other shopping centers have also developed within the District. The woodlands of the District have become a natural setting for the development of 24 upper-middle class residential and commercial communities. Kingwood is a 14,000-acre residential and commercial community, 10,000 acres of which are within the District. The development named Atascocita on Lake Houston encompasses 6,000 acres in the northeastern part of the District. The development consists of nine single-family subdivisions. Forest Cove is a 1,260-acre single-family development located in the northern part of the District. Walden on Lake Houston encompasses 970 acres and is located adjacent to Atascocita.

OPERATING STATISTICS

Fiscal Year Ended (6/30)	Governmental Operating Expenditures	Average Daily Attendance (ADA)	Per Student Cost	Number of Teaching Staff	Student / Teacher Ratio
2014	$297,620,623	36,002	$8,262	2,445	15.6
2015	343,893,227	37,254	9,231	2,472	16.0
2016	367,870,007	38,218	9,626	2,555	15.9
2017	400,902,536	38,506	10,411	2,679	15.4
2018	433,568,107	39,431	10,996	2,704	15.7
2019	445,846,195	40,611	10,978	2,776	15.7
2020	493,920,777	42,102	11,732	2,931	15.4
2021	511,178,450	42,708	11,962	3,124	14.6
2022	550,436,073	42,468	12,961	3,200	15.0
2023	577,403,150	44,075	13,100	3,344	14.6
2024	601,117,655	43,889	13,696	3,381	14.4
2025	614,451,225	44,631	13,767	3,266	14.8

Source: The District's Annual Comprehensive Financial Report for the Year Ended June 30, 2025.

DEMOGRAPHIC STATISTICS

Fiscal Year Ended (6/30)	Estimated Population	Student Enrollment	Per Capita Personal Income	Net Bonded Debt Per Capita	Unemployment Rate
2014	189,538	38,235	$51,004	$3,014	5.4%
2015	196,020	39,522	51,930	3,315	4.5%
2016	201,092	40,549	54,820	3,033	5.5%
2017	205,744	41,224	54,346	3,140	4.3%
2018	210,886	42,391	51,913	2,791	4.4%
2019	217,001	43,553	52,765	3,122	3.8%
2020	194,049	45,078	56,077	3,517	9.7%
2021	199,680	45,528	58,890	4,118	7.4%
2022	203,239	48,112	59,893	4,898	4.8%
2023	210,255	48,758	64,837	5,452	4.5%
2024	209,423	48,552	68,344	5,951	4.8%
2025	204,178	48,502	72,453	6,574	4.3%

Source: The District's Annual Comprehensive Financial Report for the Year Ended June 30, 2025.

APPENDIX C
FORM OF BOND COUNSEL'S OPINION

Orrick, Herrington & Sutcliffe LLP
609 Main Street
40th Floor
Houston, TX 77002

+1 713 652 6400
orrick.com

_________ __, 2025

We have acted as bond counsel to the Humble Independent School District (the "District") in connection with the issuance of $___________ aggregate principal amount of bonds designated as "Humble Independent School District Unlimited Tax School Building and Refunding Bonds, Series 2025A (PSF)" ("Series 2025A Bonds"). The Bonds are authorized by an order adopted by the Board of Trustees of the District (the "Board") on October 21, 2025, authorizing the issuance of the Bonds and the pricing certificate executed on the date of the sale of the Bonds finalizing the terms thereof (together, the "Bond Order"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Bond Order.

In such connection, we have reviewed the Order, the tax certificate of the District dated the date hereof (the "Tax Certificate"), certificates of the District, and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

We have acted as Bond Counsel for the sole purpose of rendering an opinion 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 of interest on the Bonds from gross income under federal income tax law. In such capacity, we have examined the Constitution and laws of the State of Texas; federal income tax law; the Bond Order; the tax certificate of the District dated the date hereof (the "Tax Certificate"); and a transcript of certain certified proceedings pertaining to the issuance of the Bonds and the bonds that are being refunded (the "Refunded Bonds") with the proceeds of the Bonds. The transcript contains the report (the "Report") of Public Finance Partners LLC, which verifies the sufficiency of the deposits made with the paying agent/registrar for the Refunded Bonds for the defeasance thereof and the mathematical accuracy of certain computations of the yield on the Bonds and the obligations acquired with the proceeds of the Bonds; certain certifications and representations and other material facts within the knowledge and control of the District, upon which we rely; and certain other customary documents and instruments authorizing and relating to the issuance of the Bonds and the firm banking and financial arrangements for the discharge and final payment of the Refunded Bonds. We have also examined executed Bond No. R-1 with respect to Series 2025A Bonds.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Bond Order and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Bond Order and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against issuers in the State of Texas. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the offering material relating to the Bonds, if any, and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently in effect. The Bonds constitute valid and legally binding obligations of the District, and the Bonds have been authorized and delivered in accordance with law.

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

3. The Escrow Agreement between the District and the Escrow Agent has been duly executed and delivered and constitutes a binding and enforceable agreement in accordance with its terms; the establishment of the Escrow Fund pursuant to the

Escrow Agreement and the deposit made therein constitute the making of firm banking and financial arrangements for the discharge and final payment of the Refunded Bonds; in reliance upon the accuracy of the calculations contained in the Verification Report, the Refunded Bonds, having been discharged and paid, are no longer outstanding and the lien on and pledge of ad valorem taxes and other revenues as set forth in the order(s) authorizing their issuance will be appropriately and legally defeased; the holders of the Refunded Bonds may obtain payment of the principal of, redemption premium, if any, and interest in the Refunded Bonds only out of the funds provided therefor now held in escrow for that purpose by the Escrow Agent pursuant to the terms of the Escrow Agreement; and therefore the Refunded Bonds are deemed to be fully paid and no longer outstanding, except for the purpose of being paid from the funds provided therefor in such Escrow Agreement.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Bonds is not a specific preference item for purposes of federal alternative minimum tax. We observe that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

ORRICK, HERRINGTON & SUTCLIFFE LLP

Orrick, Herrington & Sutcliffe LLP
609 Main Street
40th Floor
Houston, TX 77002
+1 713 652 6400
orrick.com

_________ __, 2025

We have acted as bond counsel to the Humble Independent School District (the "District") in connection with the issuance of $___________ aggregate principal amount of bonds designated as "Humble Independent School District Unlimited Tax School Building and Refunding Bonds, Series 2025B (Non-PSF)" ("Series 2025B Bonds"). The Bonds are authorized by an order adopted by the Board of Trustees of the District (the "Board") on October 21, 2025, authorizing the issuance of the Bonds and the pricing certificate executed on the date of the sale of the Bonds finalizing the terms thereof (together, the "Bond Order"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Bond Order.

In such connection, we have reviewed the Order, the tax certificate of the District dated the date hereof (the "Tax Certificate"), certificates of the District, and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

We have acted as Bond Counsel for the sole purpose of rendering an opinion 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 of interest on the Bonds from gross income under federal income tax law. In such capacity, we have examined the Constitution and laws of the State of Texas; federal income tax law; the Bond Order; the tax certificate of the District dated the date hereof (the "Tax Certificate"); and a transcript of certain certified proceedings pertaining to the issuance of the Bonds and the bonds that are being refunded (the "Refunded Bonds") with the proceeds of the Bonds. The transcript contains the report (the "Report") of Public Finance Partners LLC, which verifies the sufficiency of the deposits made with the paying agent/registrar for the Refunded Bonds for the defeasance thereof and the mathematical accuracy of certain computations of the yield on the Bonds and the obligations acquired with the proceeds of the Bonds; certain certifications and representations and other material facts within the knowledge and control of the District, upon which we rely; and certain other customary documents and instruments authorizing and relating to the issuance of the Bonds and the firm banking and financial arrangements for the discharge and final payment of the Refunded Bonds. We have also examined executed Bond No. R-1 with respect to Series 2025B Bonds.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Bond Order and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Bond Order and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against issuers in the State of Texas. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the offering material relating to the Bonds, if any, and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently in effect. The Bonds constitute valid and legally binding obligations of the District, and the Bonds have been authorized and delivered in accordance with law.

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

3. The Escrow Agreement between the District and the Escrow Agent has been duly executed and delivered and constitutes a binding and enforceable agreement in accordance with its terms; the establishment of the Escrow Fund pursuant to the

Escrow Agreement and the deposit made therein constitute the making of firm banking and financial arrangements for the discharge and final payment of the Refunded Bonds; in reliance upon the accuracy of the calculations contained in the Verification Report, the Refunded Bonds, having been discharged and paid, are no longer outstanding and the lien on and pledge of ad valorem taxes and other revenues as set forth in the order(s) authorizing their issuance will be appropriately and legally defeased; the holders of the Refunded Bonds may obtain payment of the principal of, redemption premium, if any, and interest in the Refunded Bonds only out of the funds provided therefor now held in escrow for that purpose by the Escrow Agent pursuant to the terms of the Escrow Agreement; and therefore the Refunded Bonds are deemed to be fully paid and no longer outstanding, except for the purpose of being paid from the funds provided therefor in such Escrow Agreement.

4. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Bonds is not a specific preference item for purposes of federal alternative minimum tax. We observe that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

ORRICK, HERRINGTON & SUTCLIFFE LLP

APPENDIX D
EXCERPTS FROM THE DISTRICT'S ANNUAL FINANCIAL REPORT

whitleypenn

Houston Office
3737 Buffalo Speedway
Suite 1600
Houston, Texas 77098
713.621.1515 Main

whitleypenn.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Humble Independent School District

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Humble Independent School District (the "District"), as of and for the year ended June 30, 2025, 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 accompanying 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 District, as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

To the Board of Trustees
Humble Independent School District

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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements, required Texas Education Agency (TEA) schedules, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

To the Board of Trustees
Humble Independent School District

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 combining and individual nonmajor fund financial statements, and required TEA schedules, are fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section, statistical section, and Schedule L-1 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 November 11, 2025 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.

Whitley Penn LLP

Houston, Texas
November 11, 2025

As management of the District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found at the front of this report, and the District's financial statements which follow this section.

Financial Highlights

- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows at June 30, 2025, by $153,113,290 *(net position).* Of this amount, unrestricted net position represents a deficit net position of $63,741,200. This deficit is mainly due to reflecting the District's proportionate share of the net pension liability and other post-employment benefit liability in the financials as required by the Governmental Accounting Standards Board. Accounting for these long-term liabilities does not affect the financial stability of the District, nor does it change how the District conducts its financial decision-making. Rather, the District is reflecting its portion of the liabilities that the State of Texas manages and operates.

- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of $601,333,091. Approximately 22 percent of this total amount, $133,798,473 is *unassigned fund* balance in the General Fund, which represents 25 percent of the total general fund expenditures. In accordance with District Policy CE LOCAL, this is needed to preserve financial stability and respond to cash flow shortages, changes in the economy, or changes in state funding.

- The net pension liability related to the Teacher Retirement System (TRS) of Texas totaled $164,335,787 for fiscal year 2025, which was a decrease of $12.3 million. The net other post-employment benefit (OPEB) liability was $105,673,318, which was an increase of $29.9 million.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

The S*tatement of Activities* presents information for all of the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the District's government-wide financial statements distinguish the functions of the District as being principally supported by taxes and intergovernmental revenues *(governmental activities)* as opposed to *business-type activities* that are intended to recover all or a significant portion of their costs through user fees and charges. The District has no *business-type activities* and no component units for which it is financially accountable. The government-wide financial statements are referenced as Exhibits A-1 and B-1 in this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. The fund financial statements provide more detailed information about the District's most significant funds, not the District as a whole.

- Some funds are required by State law and/or bond covenants.
- Other funds may be established by the Board to control and manage money for particular purposes or to show that it is properly using certain taxes or grants.

All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- ***Governmental funds.*** *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources,* as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities.* The District maintains thirty-two governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects fund, all of which are considered to be major funds. Data from the other twenty-nine governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report. The District adopts an annual appropriated budget for its general fund, debt service fund, and food service fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets. The basic governmental fund financial statements are referenced as Exhibits C-1 through C-2R in this report.

- ***Proprietary funds.*** *Proprietary funds* provide the same type of information as the government-wide financial statements, only in more detail. There are two proprietary fund types, enterprise funds and internal service funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. As mentioned above in the government-wide definition, the District has no *business-type activities* or *enterprise funds. Internal service funds* are an accounting device used to accumulate and allocate costs internally among the various functions. The District uses the *internal service fund* to report activities for its self-funded healthcare, workers' compensation, unemployment compensation programs, public entity risk pool, the Print Shop, Child Care Program, Medical Plan, and Catering. The basic proprietary fund financial statements are referenced as Exhibits D-1 through D-3 in this report.

- ***Fiduciary funds.*** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. *Fiduciary funds* are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District is the trustee, or fiduciary, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and statement of changes in fiduciary net position as referenced as Exhibits E-1 and E-2, respectively, in this report.

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

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. The required supplementary information are referenced as Exhibits G-1 through G-5 in this report.

The combining statements referred to earlier in connection with nonmajor governmental funds and the proprietary funds are presented immediately following the required supplementary information. The combining and individual fund statements and schedules are referenced as Exhibits H-1 through H-9 in this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the year ended June 30, 2025, assets and deferred outflows exceeded liabilities and deferred inflows by $153,113,290. The District's net position reflects an investment in capital assets (land, buildings, furniture and equipment, right-to-use assets, and construction in progress), less any related outstanding debt used to acquire those assets, of $119.8 million. The District uses these capital assets to provide services to students, taxpayers, and the general public. Consequently, these assets are not available for future spending. While these capital assets are reported net of related outstanding debt, it should be noted that the resources to repay this debt must be provided from other sources.

Humble Independent School District's Net Position

	2025	2024
Current and other assets	$ 612,375,591	$ 626,449,280
Capital assets	1,264,134,527	1,145,188,959
Long-term investments	120,062,174	106,115,643
Total Assets	1,996,572,292	1,877,753,882
Deferred charge on refunding	3,488,961	3,801,944
Deferred outflows - pension	46,473,657	74,131,097
Deferred outflows - OPEB	60,906,179	42,707,111
Total Deferred Outflows of Resources	110,868,797	120,640,152
Non-current liabilities	1,707,943,681	1,582,311,008
Other liabilities	140,385,413	133,976,283
Total Liabilities	1,848,329,094	1,716,287,291
Deferred gain on refunding	6,598,371	-
Deferred inflows - pension	4,963,260	9,948,065
Deferred inflows - OPEB	94,437,074	118,434,149
Total Deferred Inflows of Resources	105,998,705	128,382,214
Net Position		
Net investment in capital assets	119,815,413	96,650,149
Restricted	97,039,077	99,167,997
Unrestricted	(63,741,200)	(42,093,617)
Total Net Position	$ 153,113,290	$ 153,724,529

The District's capital assets increased by $118.9 million in the current fiscal year 2025. This increase consisted of the additions to construction in progress (CIP), land purchases, buildings and improvements, and furniture and equipment acquisitions of $173.5 million less current year depreciation/amortization of $54.6 million. Construction in progress increased for new projects by $100.8 million; however, projects placed into service as assets in the amount of $201.2 million resulted in a net decrease in CIP of $100.3 million for the year. Land improvements increased by $1.7 million mostly from surveys and other land preparations for current construction in progress projects. Buildings increased by $240.9 million in the current year, with the bulk of the increase due to the activity on Kingwood High School, Summer Creek High School, and Lake Houston Middle School. Purchases of furniture and equipment equaled $27.6 million. Of this amount, $1.5 million was used to purchase busses and District vehicles, $16.0 million was spent on playground equipment, $6.2 million was spent on kitchen equipment, and $3.9 million was spent on miscellaneous assets for the District. During the current year, buildings and equipment originally valued at a net amount of $6.2 million was retired or disposed of by the District.

Current assets decreased by $14.1 million in the current fiscal year. This was due to a decrease of $5.6 million in cash and temporary investments, as a result of more spent on bond-related projects in the current fiscal year. Additionally, due from other governments decreased by $11.8 million due to a decrease in state aid allotment.

Non-current liabilities increased by $125.6 million in the current fiscal year primarily due an increase in the District's proportionate share of net OPEB liabilities as well as the issuance of bonds.

Other liabilities increased by $6.4 million in the current fiscal year due to $3.1 million more in accrued wages and deductions payable. The increase in accrued wages and deductions payable is a result of higher wages and more positions during the fiscal year. Additionally, accounts payable increased by $4.1 million.

Restricted net position decreased by $2.1 million in the current fiscal year due to lower restricted net position for federal and state programs.

Net investment in capital assets increased by $23.2 million in the current fiscal year, which is the net effect of increased capital assets less the debt issued to acquire the assets (net of premiums and deferred charges on refunding).

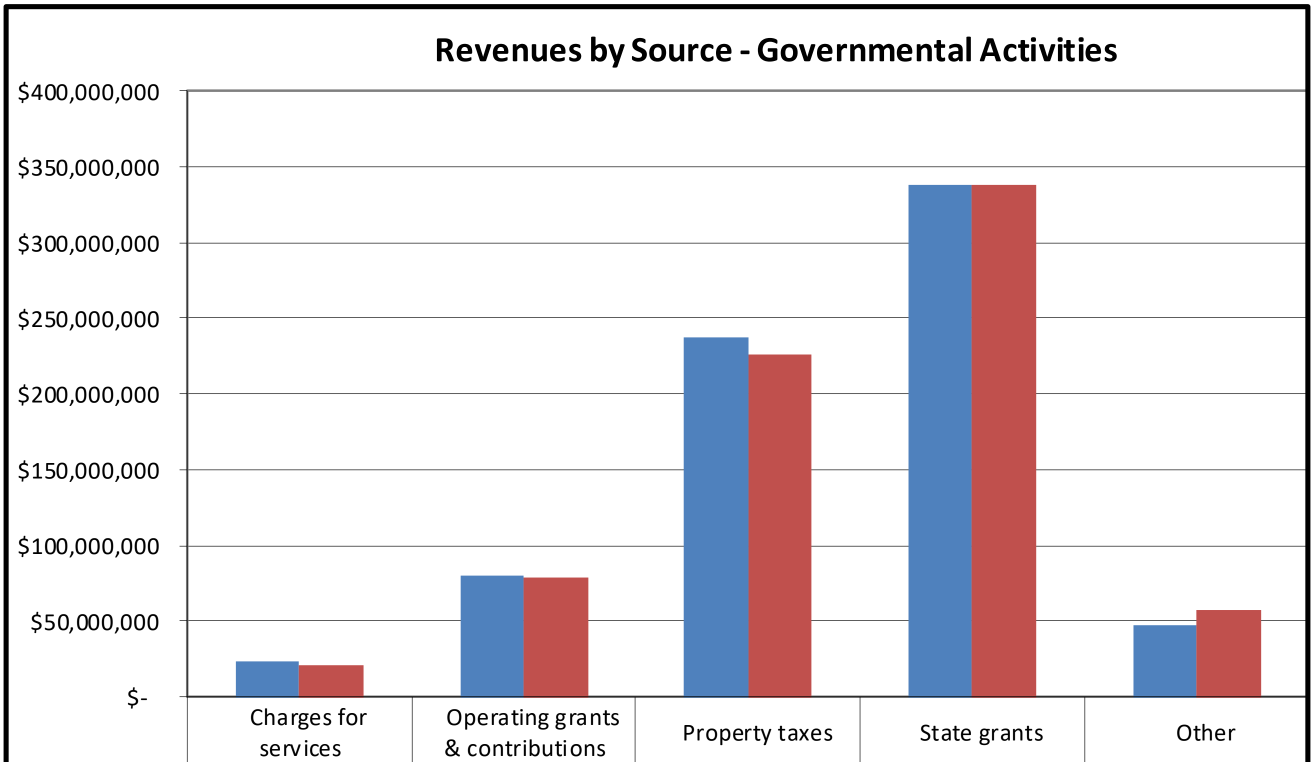
Governmental activities. Governmental activities decreased the District's net position by $0.6 million. The total cost of all governmental activities this year was $726.5 million.

Key elements of the changes in net position are as follows:

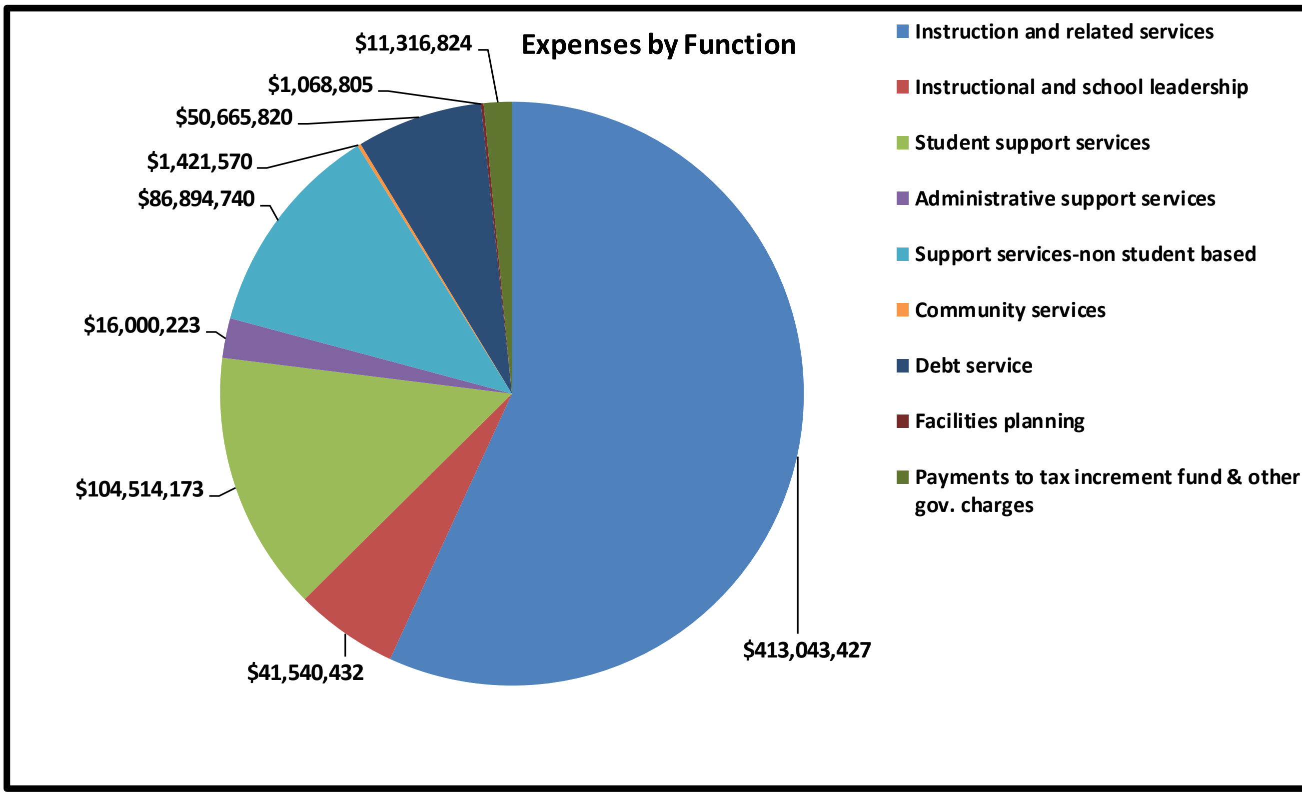
Change in Humble Independent School District's Net Position

	2025	2024
Revenues		
Program Revenues:		
Charges for services	$ 23,771,143	$ 20,185,831
Operating grants & contributions	80,210,291	79,150,331
Capital grants & contributions	-	9,939,823
General Revenues:		
Property taxes	236,760,380	225,780,591
State grants	337,463,207	338,263,118
Other	47,747,673	47,283,919
Total Revenues	725,952,694	720,603,613
Expenses		
Instruction	381,296,182	367,547,874
Instructional resources and media services	6,614,052	6,250,176
Curriculum and staff development	25,133,193	25,524,061
Instructional leadership	7,398,857	7,439,054
School leadership	34,141,575	33,778,954
Guidance, counseling, and evaluation services	35,034,360	34,873,384
Social work services	234,198	237,114
Health services	6,753,752	6,357,984
Student transportation	16,698,807	16,858,118
Food service	27,354,630	26,465,636
Extracurricular activities	17,599,811	17,605,648
General administration	16,000,223	15,989,496
Plant, maintenance and operations	54,837,873	30,986,824
Security and monitoring services	21,455,050	12,809,563
Data processing services	10,601,817	10,505,874
Community services	1,421,570	1,418,065
Interest and fiscal charges for long term debt	50,665,820	42,542,546
Facilities acquisition and construction	1,068,805	36,311,097
Payments to JJAEP	838,615	345,590
Payments to Tax Increment Fund	9,483,149	8,791,271
Payments to Appraisal District	1,833,675	2,068,569
Total Expenses	726,466,014	704,706,898
Increase (Decrease) in Net Position	(513,320)	15,896,715
Net Position - Beginning (2025 Restated)	153,626,610	137,827,814
Ending Net Position	$ 153,113,290	$ 153,724,529

These same key elements of the District's governmental activities are illustrated in the following charts:



	Charges for services	Operating grants & contributions	Property taxes	State grants	Other
2025	$23,771,143	$80,210,291	$236,760,380	$337,463,207	$47,747,673
2024	$20,185,831	$79,150,331	$225,780,591	$338,263,118	$57,223,742



The amount of expenses paid by taxpayers for these activities through property taxes was $236,760,380, or 32.6 percent. The District's property valuations increased by 6.0 percent and the tax rate slightly decreased from $1.1075 per $100 of assessed value to $1.1052 per $100 of assessed value, resulting in increased revenues from property taxes of approximately $11.0 million. Charges for services increased by $3.6 million due to an increase in revenue collected for student and staff meals and extracurricular activities. Additionally, capital grants and contributions decreased $10.0 million.

An increase in expenses of $21.8 million occurred primarily due to an increase in instruction and related services. Also, there was a $24.0 million increase in plant maintenance and operations offset by a $35.2 million decrease in facilities acquisition and construction. Salaries and benefits expenses increased by $10.5 million from the prior year due to wage increases across the board. Additionally, there was a decrease in the pension expense of $6.3 million offset by an increase in the OPEB expense of $2.6 million. Pension and OPEB expense is affected by the change in pension and OPEB liabilities as well as the net deferred outflows/inflows of resources. The pension liability decreased by $12.3 million and the OPEB liability increased by $29.9 million, which decreased pension expense and increased OPEB expense. Deferred outflows of resources decreased by $9.5 million while the deferred inflows of resources decreased by $28.9 million, a net effect to pension and OPEB expense of $38.4 million. The offset of these changes is to pension and OPEB expense. The net effect to net position was a decrease in $2.0 million.

Financial Analysis of the District's Funds

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

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of $601,333,091, a decrease of $5,214,857. Unassigned fund balance of $133,795,223 constitutes approximately 22 percent of this total amount. The remainder of fund balance is not available for new spending because it has already been designated as 1) nonspendable as inventory or prepaid items ($5,373,850); 2) restricted to pay debt service ($88,981,032), for capital projects ($269,765,410), or for federal, state, or local grants ($24,063,643); 3) committed for activity funds ($7,136,335); and 4) assigned for other purposes ($72,217,598). Additional information regarding commitments and assignments of fund balance for other purposes can be found in Note 8.

Total revenues in the general fund were $554.8 million with an increase from the previous year of $20.4 million. During fiscal year 2025, there was an increase in State funding of $1.1 million as a result in higher tier one allotments. There also was a $6.6 million increase in property tax collections, including penalties and interest. In addition, there was an increase of $3.9 million in federal funding primarily related to the School Health and Related Services program.

General fund expenditures totaled $535.1 million, an increase of $18.4 million over the previous fiscal year. Salaries and benefits increased by $17.5 million as a result of new staff due to growth and compensation increases.

The debt service fund ended the fiscal year with a fund balance of $88,981,032, all of which is restricted for the payment of debt service. The District received total debt service revenue, not including other financing sources, of $92,840,892 of which $79,738,837 was local revenue or 85.9 percent. This local revenue includes payments from the TIRZ of $3.3 million. State revenues totaled $13,102,055 or 14.1 percent of total revenue, excluding other financing sources.

The capital projects fund is used to account for financial resources to be used for the acquisition or construction and renovation of major capital facilities and equipment purchases. The fund balance of the District's capital projects fund was $276,814,936 as of June 30, 2025, of which $269,765,410 is restricted for capital projects, and $7,049,526 is assigned.

The net increase in fund balance for the fiscal year ended June 30, 2025 was $814,343. This net increase was the result of issuance of bonds in the amount of $148.2 million, offset by $145.9 million in payments for facilities acquisition and construction. Total expenditures increased approximately $19.7 million as compared to the prior fiscal year due to multiple bond-related projects on-going during the current fiscal year.

***Proprietary funds**.* As mentioned earlier, the District's proprietary funds provide the same type of information found in the government-wide financial statements but in more detail.

Unrestricted net position at June 30, 2025 totaled a deficit of $8,660,562 for the combined proprietary funds. The total decrease in net position was $4,000,461. Of this amount, there was a $66,629 decrease in the Print Shop net position; an increase in the Self-Funded Insurance Fund of $125,165; an increase in the Public Entity Risk Fund of $76,254; an increase of $95,468 in the Child Care Program Fund; an increase in the Catering Fund of $76,600; and finally a decrease of $4,307,319 in the Medical Plan Fund due to an increase in claims and other operating expenses.

General Fund Budgetary Highlights

Over the course of the year, the District recommended and the Board approved several revisions to budgeted revenue and expenditures. These amendments fall into the following categories:

- Amendments approved shortly after the beginning of the new fiscal year for amounts assigned in the prior year,
- Amendments in early and late spring to revise estimates for local and state revenue based on the latest information on tax collections and student attendance numbers,
- Amendments throughout the year for transfers to and from other funds and federal indirect cost calculations, and
- Amendments during the year for unexpected occurrences.

The District made the following amendments to estimated revenues:

$ 1,388,055	Increase in local revenue
$25,097,827	Increase in state revenue
$ 1,405,000	Decrease in federal revenue

The following is a summary of amendments made to expenditures:

$43,873,278	Increase for 2024-2025		
	$	9,003,278	Assigned to Encumbrances
	$	8,650,000	Assigned to Non-recurring, Non-Capital Expenditures
	$	4,850,000	Assigned to TIRZ Facilities Improvements
	$	18,000,000	Assigned to Health Insurance Claims
	$	3,370,000	Assigned to Fiscal Contingency

After revenues and appropriations were amended as described above, actual revenues and other resources were greater than the final amended estimated revenues and other resources by $8.5 million, or 1.6 percent. Actual revenue was less than budgeted revenue in state revenue due to enrollment and attendance declines. Local revenue and federal revenue were more than budget due to property tax refunds and the increase in SHARS revenue.

Actual expenditures and other uses were $8.1 million, or 1.5 percent, below the final budget. This positive variance was due primarily to total outstanding encumbrances and roll forward balances.

Capital Assets and Debt Administration

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2025, totals $1,264,134,527, net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, furniture and equipment, and construction in progress.

	2025	2024
Land	$ 128,261,552	$ 126,572,352
Buildings & improvements	916,493,105	718,762,071
Furniture & equipment	58,023,406	38,942,608
Right-to-use leased assets	824,114	473,648
SBITA assets	2,653,170	2,234,238
Construction in progress	157,879,180	258,204,042
Totals at Historical Cost	$ 1,264,134,527	$ 1,145,188,959

Additional information on the District's capital assets can be found in Note 4 of this report.

Long Term Debt

As of June 30, 2025, the District had total general obligation bonded debt outstanding of $1.3 billion, a net increase of $91.9 million from the prior year. The increase was a result of the issuance of $267.8 million in Series 2025 Unlimited Tax School Building and Refunding Bonds less a refunding of $128.3 million and scheduled debt payments of $47.6 million.

State statutes limit the amount of general obligation debt a governmental entity may issue to ten percent of its total assessed valuation. However, the District voted its maintenance tax under former Article 2784e-1, Texas Civil Statutes, which provided for a maximum maintenance tax rate of $1.50 per $100 assessed valuation. Article 2784e-1 limits the District's annual local maintenance and operations tax levy based upon a comparison between the District's outstanding bonded indebtedness and the District's taxable assessed value per $100 of assessed valuation. Article 2784e-1 provides for a reduction of $0.10 for each one percent (1%) or major fraction thereof increase in bonded indebtedness beyond seven percent (7%) of assessed valuation of property in the District. Per the state statutes, the current debt limitation for the District is $2,360,328,034. The District's outstanding debt of $1,415,261,056 less the restriction for the retirement of debt of $72,975,434 totals $1,342,285,622 resulting in a legal debt margin of $1,018,042,412. Under Article 2784e-1, the current debt limitation for the District is $1,652,229,624 with a legal debt margin of $309,944,022.

The District has "AAA" ratings from Standard & Poor's (S&P) and "Aaa" ratings from Moody's Investors Service for general obligation debt, since the bonds are guaranteed by the Texas Permanent School fund. The District's underlying bond ratings are "AA" and "Aa1" from S&P and Moody's, respectively.

Additional information on the District's long-term debt can be found in Note 7 of this report.

Economic Factors and Next Year's Budgets and Rates

- The District's enrollment is projected to increase by 202 students, or 0.4 percent, for the 2025-26 fiscal year.
- The District's average daily student attendance is projected at 95 percent.
- The District's taxable valuation is estimated to decrease by 6.9% to $22,062,082,883 for the 2025-2026 fiscal year as a result of state mandated exemption and compression changes.
- The District's tax collection rate is estimated to be 99.5 percent for the 2025-2026 fiscal year (including current & delinquent taxes, penalties, and interest).

The Board of Trustees adopted an operating budget for the 2025-26 fiscal year with estimated revenues of $543,776,396 and expenditures of $543,772,807. Estimated revenues included $176,398,428 from property taxes and other local revenue, and $366,216,968 in state funding based on the latest available Summary of Finances template. Appropriated expenditures for the 2025-26 fiscal year increased by $28 million as compared to 2024-25. Appropriated expenditures included the following changes:

- Increase of $24 million for Compensation Initiative including new legislative requirements and new middle school staffing
- Increase of $2 million for Special Education initiatives
- Increase of $2 million for District initiatives

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances as well as demonstrate accountability for funds the District receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Director of Accounting and Financial Reporting, Humble ISD, P.O. Box 2000, Humble, Texas 77347-2000.

BASIC FINANCIAL STATEMENTS

HUMBLE INDEPENDENT SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET POSITION

June 30, 2025

Data Control Codes		Governmental Activities
	Assets	
1110	Cash and temporary investments	$ 488,961,016
1225	Property taxes receivables, net	9,136,587
1240	Due from other governments	105,253,602
1290	Other receivables, net	3,641,184
1300	Inventories	1,066,590
1410	Prepaid items	4,316,612
	Capital assets not subject to depreciation/amortization:	
1510	Land	128,261,552
1580	Construction in progress	157,879,180
	Capital assets net of depreciation/amortization:	
1520	Buildings and improvements, net	916,493,105
1530	Furniture and equipment, net	58,023,406
1550	Right-to-use assets, net	3,477,284
1910	Long-term investments	120,062,174
1000	**Total Assets**	1,996,572,292
	Deferred Outflows of Resources	
	Deferred charge on refunding	3,488,961
	Deferred outflows - pension	46,473,657
	Deferred outflows - OPEB	60,906,179
1700	**Total Deferred Outflows of Resources**	110,868,797
	Liabilities	
2110	Accounts payable	34,942,070
2140	Interest payable	18,660,980
2150	Payroll deductions and withholdings	4,738,665
2160	Accrued wages payable	57,139,054
2180	Due to other governments	5,206,941
2200	Accrued expenses payable	17,094,549
2300	Unearned revenue	2,603,154
	Noncurrent Liabilities:	
2501	Due within one year: Bonds, claims, compensated absences, leases, SBITAs	61,114,821
	Due in more than one year:	
2502	Bonds, claims, compensated absences, leases, SBITAs, arbitrage	1,376,819,755
2540	Net pension liability	164,335,787
2545	Net OPEB liability	105,673,318
2000	**Total Liabilities**	1,848,329,094
	Deferred Inflows of Resources	
	Deferred gain on refunding	6,598,371
	Deferred inflows - pension	4,963,260
	Deferred inflows - OPEB	94,437,074
2600	**Total Deferred Inflows of Resources**	105,998,705
	Net Position	
3200	Net investment in capital assets	119,815,413
	Restricted for:	
3820	Federal and state programs	24,063,643
3850	Debt service	72,975,434
3900	Unrestricted	(63,741,200)
3000	**Total Net Position**	$ 153,113,290

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2025

Data Control Codes	Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
	Governmental Activities:					
11	Instruction	$ 381,296,182	$ 2,943,428	$ 29,791,605	$ -	$ (348,561,149)
12	Instructional resources & media service	6,614,052	193,738	152,951	-	(6,267,363)
13	Curriculum and staff development	25,133,193	84,912	5,027,199	-	(20,021,082)
21	Instructional leadership	7,398,857	6,216	256,782	-	(7,135,859)
23	School leadership	34,141,575	755,412	721,988	-	(32,664,175)
31	Guidance, counseling & evaluation	35,034,360	461,793	3,016,796	-	(31,555,771)
32	Social work services	234,198	-	5,936	-	(228,262)
33	Health services	6,753,752	2,823	5,143,649	-	(1,607,280)
34	Student transportation	16,698,807	-	353,698	-	(16,345,109)
35	Food service	27,354,630	8,683,439	19,881,305	-	1,210,114
36	Extracurricular activities	17,599,811	5,793,012	207,588	-	(11,599,211)
41	General administration	16,000,223	2,754,890	801,449	-	(12,443,884)
51	Plant, maintenance and operations	54,837,873	1,591,488	2,518,468	-	(50,727,917)
52	Security and monitoring services	21,455,050	100,112	11,906,595	-	(9,448,343)
53	Data processing services	10,601,817	231,431	82,315	-	(10,288,071)
61	Community services	1,421,570	168,449	341,967	-	(911,154)
72	Interest and fiscal charges for long term debt	50,665,820	-	-	-	(50,665,820)
81	Facilities planning	1,068,805	-	-	-	(1,068,805)
95	Payments to JJAEP	838,615	-	-	-	(838,615)
97	Payments to Tax Increment Fund	9,483,149	-	-	-	(9,483,149)
99	Payments to Appraisal District	1,833,675	-	-	-	(1,833,675)
TG	**Total Governmental Activities**	$ 726,466,014	$ 23,771,143	$ 80,210,291	$ -	(622,484,580)

Data Control Codes		
	General Revenues:	
	Taxes:	
MT	Property taxes, levied for general purposes	164,042,837
DT	Property taxes, levied for debt service	72,717,543
SF	State-aid formula grants - unrestricted	337,463,207
IE	Investment earnings	29,459,149
MI	Miscellaneous	18,288,524
TR	**Total General Revenues**	621,971,260
CN	Change in net position	(513,320)
NB	**Net Position - Beginning, as Previously Reported**	153,724,529
PA	Restatement - See Note 17	(97,919)
	Net Position - Beginning, as Restated	153,626,610
NE	**Net Position - Ending**	$ 153,113,290

HUMBLE INDEPENDENT SCHOOL DISTRICT

Exhibit C-1

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2025

Data Control Codes		General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
	Assets					
1110	Cash and temporary investments	$ 115,053,274	$ 68,722,368	$ 266,966,861	$ 32,658,058	$ 483,400,561
	Receivables:					
1210	Current property taxes receivable	185,909	83,607	-	-	269,516
1220	Delinquent property taxes receivables	11,621,603	4,184,681	-	-	15,806,284
1230	Allowance for uncollectible taxes (credit)	(5,326,307)	(1,612,906)	-	-	(6,939,213)
1240	Receivables from other governments	94,065,068	-	-	11,188,534	105,253,602
1260	Due from other funds	5,711,505	2,859,059	-	2,965	8,573,529
1290	Other receivables	3,530,302	65,726	-	45,156	3,641,184
1300	Inventories	906,330	-	-	160,260	1,066,590
1410	Prepaid items	4,307,260	-	-	-	4,307,260
1900	Long term investments	57,005,967	17,800,727	45,255,480	-	120,062,174
1000	**Total Assets**	$ 287,060,911	$ 92,103,262	$ 312,222,341	$ 44,054,973	$ 735,441,487
	Liabilities, Deferred Inflows of Resources, and Fund Balances					
	Liabilities:					
2110	Accounts payable	$ 7,912,120	$ 209,567	$ 23,843,585	$ 2,842,589	$ 34,807,861
2150	Payroll deduction and withholdings	4,738,665	-	-	-	4,738,665
2160	Accrued wages payable	55,300,452	-	3,379	1,804,344	57,108,175
2170	Due to other funds	3,123,822	257,281	-	5,454,224	8,835,327
2180	Payable to other governments	5,205,745	-	-	1,196	5,206,941
2200	Accrued expenditures	111,245	-	11,560,441	-	11,671,686
2300	Unearned revenue	7,522	-	-	2,595,632	2,603,154
2000	**Total Liabilities**	76,399,571	466,848	35,407,405	12,697,985	124,971,809
	Deferred Inflows of Resources					
	Unavailable Revenues - Property Taxes	6,481,205	2,655,382	-	-	9,136,587
2600	**Total Deferred Inflows of Resources**	6,481,205	2,655,382	-	-	9,136,587
	Fund Balances:					
	Nonspendable :					
3410	Inventories	906,330	-	-	160,260	1,066,590
3430	Prepaid items	4,307,260	-	-	-	4,307,260
	Restricted:					
3450	Federal/State grant restrictions	-	-	-	24,063,643	24,063,643
3470	Capital acquisitions	-	-	269,765,410	-	269,765,410
3480	Debt service	-	88,981,032	-	-	88,981,032
	Committed:					
3545	Other purposes	-	-	-	7,136,335	7,136,335
	Assigned:					
3590	Other assigned	65,168,072	-	7,049,526	-	72,217,598
3600	Unassigned	133,798,473	-	-	(3,250)	133,795,223
3000	**Total Fund Balances**	204,180,135	88,981,032	276,814,936	31,356,988	601,333,091
4000	**Total Liabilities, Deferred Inflows of Resources, and Fund Balances**	$ 287,060,911	$ 92,103,262	$ 312,222,341	$ 44,054,973	$ 735,441,487

HUMBLE INDEPENDENT SCHOOL DISTRICT

Exhibit C-1R

RECONCILIATION OF BALANCE SHEET FOR GOVERNMENTAL FUNDS TO STATEMENT OF NET POSITION

June 30, 2025

Data Control Codes		
	Total Fund Balance, Governmental Funds	$ 601,333,091
	Amounts reported for governmental activities in the statement of net position (A-1) are different because:	
1	Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets at historical cost, net of accumulated depreciation/amortization, where applicable.	1,263,690,683
2	Property taxes receivable have been levied and are due this year, but are not available soon enough to pay for the current period's expenditures, these property taxes and related penalty and interest amounts (net of allowance for uncollectible accounts).	9,136,587
3	Deferred charges on refunding	3,488,961
4	Deferred gain on refunding	(6,598,371)
	Differences between expected and actual experiences, assumption changes and net differences between projected and actual earnings and contributions subsequent to the measurement date for the postretirement benefits (pension and OPEB) are recognized as deferred outflows of resources and deferred inflows of resources on the statement of net position.	
5	Deferred outflows - pension related	46,473,657
6	Deferred inflows - pension related	(4,963,260)
7	Deferred outflows - OPEB related	60,906,179
8	Deferred inflows - OPEB related	(94,437,074)
	Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
9	General obligation bonds	(1,295,795,000)
10	Premiums on issuance	(119,466,056)
11	Leases payable	(376,692)
12	SBITAs payable	(1,457,445)
13	Arbitrage liability	(7,631,462)
14	Accrued interest payable	(18,660,980)
15	Compensated absences	(3,859,861)
16	Net pension liability	(164,335,787)
17	Net OPEB liability	(105,673,318)
18	Addition of Internal Service fund net position	(8,660,562)
29	**Total Net Position - Governmental Activities**	$ 153,113,290

HUMBLE INDEPENDENT SCHOOL DISTRICT

Exhibit C-2

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

For the Year Ended June 30, 2025

Data Control Codes		General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
	Revenues					
5700	Local, intermediate, and out-of-state	$ 195,273,120	$ 79,738,837	$ 13,312,146	$ 19,920,286	$ 308,244,389
5800	State program revenues	353,716,387	13,102,055	55,193	19,317,830	386,191,465
5900	Federal program revenues	5,792,515	-	1,585,635	41,291,451	48,669,601
5020	**Total Revenues**	554,782,022	92,840,892	14,952,974	80,529,567	743,105,455
	Expenditures					
	Current:					
0011	Instruction	315,857,293	-	6,457,753	24,412,158	346,727,204
0012	Instruction resources and media services	4,524,424	-	682	267,942	4,793,048
0013	Curriculum and instructional staff development	20,411,838	-	-	4,471,762	24,883,600
0021	Instructional leadership	7,139,519	-	-	101,478	7,240,997
0023	School leadership	31,908,451	-	130,647	632,239	32,671,337
0031	Guidance, counseling and evaluation services	31,775,902	-	17,727	2,666,974	34,460,603
0032	Social work services	243,673	-	-	-	243,673
0033	Health services	6,020,061	-	44,390	301,889	6,366,340
0034	Student transportation	14,744,686	-	-	175,117	14,919,803
0035	Food services	881,144	-	-	28,897,331	29,778,475
0036	Extracurricular activities	10,718,230	-	-	4,638,093	15,356,323
0041	General administration	14,424,733	-	398,859	12,906	14,836,498
0051	Facilities maintenance and operations	42,863,462	-	13,535,223	2,486,476	58,885,161
0052	Security and monitoring services	11,214,611	-	1,585,761	11,896,272	24,696,644
0053	Data processing services	7,924,276	-	1,344,232	2,785	9,271,293
0061	Community services	980,880	-	-	471,300	1,452,180
	Debt service:					
0071	Principal on long-term debt	1,890,300	47,595,000	-	180,497	49,665,797
0072	Interest on long-term debt	296,504	47,240,924	-	-	47,537,428
0073	Bond issuance costs and fees	-	808,080	1,133,416	-	1,941,496
	Capital outlay:					
0081	Facilities acquisition and construction	2,208,993	-	145,892,257	550,724	148,651,974
	Intergovernmental:					
0095	Payments to Juvenile Justice Alternative Education Program	707,515	-	131,100	-	838,615
0097	Payments to Tax Increment Fund	6,479,980	3,003,169	-	-	9,483,149
0099	Payments to Appraisal District	1,833,675	-	-	-	1,833,675
6030	**Total Expenditures**	535,050,150	98,647,173	170,672,047	82,165,943	886,535,313
1100	Excess (deficiency) of revenues over (under) expenditures	19,731,872	(5,806,281)	(155,719,073)	(1,636,376)	(143,429,858)
	Other Financing Sources (Uses)					
7901	Refunding bonds issued	-	119,585,000	-	-	119,585,000
7911	Capital related debt issued	-	-	148,210,000	-	148,210,000
7912	Sale of real or personal property	24,232	-	-	-	24,232
7913	Issuance of leases	1,054,459	-	-	-	1,054,459
7915	Transfers in	-	-	5,400,000	-	5,400,000
7916	Premium or discount on issuance of bonds	-	16,101,016	2,923,416	-	19,024,432
7949	Issuance of SBITAs	1,072,601	-	-	-	1,072,601
8911	Transfers out	(26,600,000)	-	-	-	(26,600,000)
8949	Payments to refunded bonds escrow agent	-	(129,555,723)	-	-	(129,555,723)
7080	**Total Other Financing Sources (Uses)**	(24,448,708)	6,130,293	156,533,416	-	138,215,001
1200	Net change in fund balances	(4,716,836)	324,012	814,343	(1,636,376)	(5,214,857)
0100	**Fund Balance - Beginning**	208,896,971	88,657,020	276,000,593	32,993,364	606,547,948
3000	**Fund Balance - Ending**	$ 204,180,135	$ 88,981,032	$ 276,814,936	$ 31,356,988	$ 601,333,091

See notes to the financial statements.

HUMBLE INDEPENDENT SCHOOL DISTRICT

Exhibit C-2R

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2025

Data Control Codes		
	Net Change in Fund Balances - Total Governmental Funds (from C-2)	$ (5,214,857)
	Amounts reported for governmental activities in the statement of activities (B-1) are different because:	
	Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	
1	Capitalized expenditures reclassified to assets.	172,939,367
2	Depreciation and amortization expense taken to Statement of Activities.	(54,437,643)
3	Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	565,159
	Bond and other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond and other debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
4	Principal paid on bonds	47,595,000
5	Principal paid on leases	1,066,430
6	Principal paid on SBITAs	1,004,367
7	Issuance of bonds	(148,210,000)
8	Issuance of leases	(1,054,459)
9	Issuance of SBITAs	(1,072,601)
10	Issuance of refunding bonds	(119,585,000)
11	Payment to refunding agent	129,555,723
12	Interest expense incurred on arbitrage	(5,641,360)
13	Premium on issuance of bonds	(19,024,432)
	Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:	
14	Accrued interest on long-term debt	(1,160,980)
15	Amortization of deferred amounts of refunding	31,351
16	Amortization of bond premiums and discounts	5,607,497
17	Compensated absences	(1,430,532)
18	Changes in net pension liabilities and related deferred outflows and inflows of resources	(10,357,650)
19	Changes in net OPEB liabilities and related deferred outflows and inflows of resources	12,311,761
20	Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities (see D-2).	(4,000,461)
	Change in Net Position of Governmental Activities	$ (513,320)

HUMBLE INDEPENDENT SCHOOL DISTRICT

Exhibit D-1

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2025

		Governmental Activities Total Internal Service Funds
Assets		
Current Assets:		
Cash and cash equivalents	$	5,560,455
Due from other funds		264,763
Prepaid items		9,352
Total Current Assets		5,834,570
Non-current Assets:		
Capital Assets:		
Right-to-use lease assets		600,032
Accumulated amortization		(156,188)
Total non-current assets		443,844
Total Assets	$	6,278,414
Liabilities and Net Position		
Liabilities		
Current Liabilities:		
Accounts payable	$	134,209
Accrued wages payable		30,879
Due to other funds		2,965
Claims payable - due within one year		8,655,845
Leases payable - due within one year		152,382
Other liabilities		5,422,863
Total Current Liabilities		14,399,143
Non-Current Liabilities:		
Leases payable - due in more than one year		325,910
Claims payable		213,923
Total Non-Current Liabilities		539,833
Total Liabilities		14,938,976
Net Position		
Unrestricted (deficit) net position		(8,660,562)
Total Net Position	$	(8,660,562)

HUMBLE INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2025

	Governmental Activities
	Total Internal Service Funds
Operating Revenues	
Interfund services provided and used	$ 32,379,977
Tuition and fees	726,616
Miscellaneous revenue	4,421,485
Total Operating Revenues	37,528,078
Operating Expenses	
Payroll costs	705,576
Purchased and contracted services	15,359
Supplies and materials	124,958
Claims expense and other operating expenses	61,751,681
Non-capitalized expenses	47,443
Amortization	156,188
Total Operating Expenses	62,801,205
Operating Income (Loss)	(25,273,127)
Non-Operating Revenues (Expenses)	
Investment earnings	96,070
Interest expense	(23,404)
Total Non-Operating Revenues (Expenses)	72,666
Income (Loss) before Transfers	(25,200,461)
Transfers	
Transfers in	21,292,336
Transfers out	(92,336)
Total Transfers	21,200,000
Change in Net Position	(4,000,461)
Net Position - Beginning	(4,660,101)
Net Position - Ending	$ (8,660,562)

HUMBLE INDEPENDENT SCHOOL DISTRICT *Exhibit D-3*

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Year Ended June 30, 2025

	Governmental Activities Total Internal Service Funds
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash receipts from interfund services provided	$ 34,555,374
Cash receipts from (payments to) miscellaneous sources	4,421,485
Cash payments for insurance claims	(52,739,453)
Cash payments to employees	(703,967)
Cash payments to suppliers for goods and services	(5,432,144)
Net Cash Provided by (Used for) Operating Activities	(19,898,705)
Cash Flows from Non-Capital Financing Activities:	
Cash payment from other funds	21,292,336
Cash payment to other funds	(92,336)
Net Cash Provided by (Used for) Non-Capital Financing Activities	21,200,000
Cash Flows from Capital and Related Financing Activities:	
Principal paid on leases	(121,740)
Interest paid on leases	(23,404)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(145,144)
Cash Flows from Investing Activities:	
Interest on investments	96,070
Net Cash Provided by Investing Activities	96,070
Net Increase (Decrease) in Cash and Cash Equivalents	1,252,221
Cash and Cash Equivalents at Beginning of Year	4,308,234
Cash and Cash Equivalents at End of Year	$ 5,560,455
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:	
Operating Income (Loss)	$ (25,273,127)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Amortization expense	156,188
Decrease (increase) in Interfund Receivables	1,448,781
Increase (decrease) in Accounts payable	26,150
Increase (decrease) in Claims payable	3,240,403
Increase (decrease) in Payroll deductions payable	(384)
Increase (decrease) in Accrued Wages Payable	1,993
Increase (decrease) in Other Liabilities	501,291
Net Cash Provided by (Used for) Operating Activities	$ (19,898,705)

HUMBLE INDEPENDENT SCHOOL DISTRICT ***Exhibit E-1***

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2025

	Private Purpose Trust Funds	Custodial Funds
Assets		
Current Assets		
Cash and cash equivalents	$ 1,102,708	$ 479,704
Total Assets	1,102,708	479,704
Liabilities and Net Position		
Liabilities		
Current Liabilities		
Accounts payable	-	7,232
Due to other governments	-	427
Total Liabilities	-	7,659
Net Position		
Restricted for student scholarships and other activities	1,102,708	472,045
Total Net Position	$ 1,102,708	$ 472,045

HUMBLE INDEPENDENT SCHOOL DISTRICT ***Exhibit E-2***

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Year Ended June 30, 2025

	Private Purpose Trust Funds	Custodial Funds
Additions		
Contributions:		
Gifts and contributions	$ 34,731	$ 153,175
Revenues from student activities	-	491,539
Revenues from enterprising activities	-	268,248
Investment Earnings	50,509	-
Total Additions	85,240	912,962
Deductions		
Scholarships awarded	42,531	-
Payments for student activities	-	788,986
Payments for enterprising activities	-	39,873
Total Deductions	42,531	828,859
Change in Net Position	42,709	84,103
Net Position - Beginning	1,059,999	387,942
Net Position - Ending	$ 1,102,708	$ 472,045

Note 1 - Summary of Significant Accounting Policies

A. Reporting Entity

Humble Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven-member Board of Trustees that is elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources as identified by the American Institute of Certified Public Accountants. Additionally, the District complies with the requirements of the appropriate version of the Texas Education Agency (TEA) *Financial Accountability System Resource Guide* (FASRG) and the requirements of contracts and grants of agencies from which it receives funds.

The District's Board of Trustees is elected by the public; has the authority and the exclusive power and duty to govern and oversee the management of the District; has the authority to acquire and hold property in the name of the District, sue and be sued, and receive bequests and donations of funds legally received; and has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the GASB Statement No. 61, *The Reporting Entity.* The District has no component units.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government. Revenues and expenses related to interfund services provided and used are not eliminated in the process of consolidation, except in the campus activity funds. The *governmental activities* are supported by tax revenues and intergovernmental revenues. The District has no *business-type activities* that rely, to a significant extent, on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead *as general revenues.*

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting,* as are the proprietary fund and fiduciary fund financial statements while custodial funds have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

Note 1 - Summary of Significant Accounting Policies (continued)

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

For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred as required under accrual accounting. However, debt service principal and interest expenditures on general long-term debt, including lease and subscription-based information technology (SBITA) liabilities, as well as expenditures related to compensated absences and judgments are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the District the right-to-use lease and SBITA assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases and SBITAs are reported as other financing sources.

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

Grant funds are considered earned to the extent of the expenditures made under the provisions of the grant. Most grant funds are received on a reimbursement basis. When grant funds are received in advance, they are recorded as unearned revenues until the related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

The District reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund. Major revenue sources include local property taxes and state funding under the Foundation School Program. Expenditures include all costs associated with the daily operations of the District except for specific programs funded by the federal or state government, food service, debt service, and capital projects.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *capital projects fund* accounts for financial resources used for the acquisition or construction of major capital facilities and equipment purchases.

Non-major governmental funds of the District include federal, state, and local grant funds accounted for as *special revenue funds* as well as the District's campus activity fund.

The District reports the following proprietary funds:

The *internal service funds* account for the District's self-funded insurance program for unemployment compensation, public entity risk pool and workers' compensation benefits beginning July 1, 2011, print shop, childcare center, and medical plan.

Note 1 - Summary of Significant Accounting Policies (continued)

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

Prior to July 2011, the District sponsored a self-funded plan to provide health care benefits to employees and their dependents. Partial contributions by employees were required for coverage. The plan was administered by a third party. The District was protected against unanticipated, catastrophic individual or aggregate loss through stop-loss coverage carried through an insurance carrier. Due to increased health care costs, the District began to explore other options. The District also sponsored a self-funded workers' compensation program which was administered by a third party. During fiscal year 2025, the self-funded insurance program continued to provide funding for run-out claims incurred prior to June 30, 2011 for the medical and workers' compensation programs. Additionally, the self-funded program will continue to pay unemployment compensation claims.

The print shop provides internal printing operations as a cost-effective alternative to outsourcing printing needs. Individual campuses or departments are charged fees to have documents printed and/or assembled at the print shop. It is intended for the print shop to be self-supporting.

The childcare center was created not only to offer childcare services at reasonable rates to Humble Independent School District's personnel, but also to assist Humble ISD teen parents with the cost of childcare, thus minimizing the chance these at-risk students will drop out of school. The center opened in August 2010. It is intended for the center to be self-supporting.

The medical plan was created September 1, 2020 in order for the District to offer medical insurance plan(s) to its employees, as an alternative to the TRS plan options. Two new Humble ISD self-funded medical plans were available to Humble ISD staff: the Humble High Deductible Alternative Plan and the Humble Primary Alternative Plan. Partial contributions are required by employees for coverage. The plans are administered by a third party. The District is protected against unanticipated, catastrophic individual or aggregate loss through stop-loss coverage carried through an insurance carrier.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

Additionally, the District reports the following fiduciary funds:

The private purpose trust fund is used to account for donations for scholarship funds received by the District that are to be awarded to current and former students for post-secondary education purposes.

The *custodial fund* is used to account for resources held in a custodial capacity by the District and consists of funds that are the property of students or others. The District administers two custodial funds: one held for student activities and another held for administrative or departmental staff activities.

The private purpose trust fund and custodial fund meet the requirements for reporting as fiduciary activities. The assets derived from these funds are not from the District's own revenue sources. In addition, they do not meet the criteria for District-mandated or voluntary nonexchange transactions. Lastly, the assets are for the benefit of individuals, namely students or others, and the District does not have administrative involvement or direct financial involvement for these funds.

Note 1 - Summary of Significant Accounting Policies (continued)

D. Implementation of New Accounting Standards

GASB issued Statement No. 101, *Compensated Absences,* was issued in June 2022. The primary objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The requirements of this statement were implemented in 2025 and the impact is reflected in the financial statements. See Note 7 and Note 17 for more information.

GASB issued Statement No. 102, Certain Risk Disclosures, in December 2023. The primary objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. The requirements of this statement were implemented in fiscal year 2025 and did not have a material impact on the financial statements.

E. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The funds of the District must be deposited and invested under the terms of a depository contract, the contents of which are set out in the Depository Contract Law. The depository bank may either place approved pledged securities for safekeeping and trust with the District's agent bank or file a corporate surety bond in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of FDIC insurance. The depository cash balances are generally covered by FDIC insurance and by collateral held by the District's agent in the District's name. In the event of an under-collateralized position, additional securities are pledged based on prior-day balances. As of June 30, 2025, cash balances were covered by FDIC insurance and by collateral held by the District's agent in the District's name.

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, and other nonparticipating investments are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

The District categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's local government investment pools are recorded at amortized costs as permitted by GASB Statement No. 79, *Certain Investment Pools and Pool Participants.*

Note 1 - Summary of Significant Accounting Policies (continued)

F. Receivables and Payables

During the course of the year, transactions occur between individual funds for various purposes. The resulting receivables and payables are classified as "due from" other funds or "due to" other funds on the balance sheet.

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

The appraisal and recording of all property within the District is the responsibility of the Harris County Appraisal District (HCAD), an independent governmental unit with a board of directors appointed by the taxing jurisdictions within the county and funded from assessments against those taxing jurisdictions. HCAD is required by law to assess property at 100 percent of its market value. Real property is reappraised every two years. Under certain circumstances taxpayers and taxing units, including the District, may challenge orders of the HCAD Review Board through various appeals and, if necessary, legal action.

Tax collections are prorated between the general fund and debt service fund based on the tax rate approved by the Board. For the year ended June 30, 2025 (tax year 2024) the rates were $0.7552 and $0.3500, respectively, per $100 of assessed value.

Delinquent taxes are prorated between maintenance and operations and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the general and debt service funds are based on historical experience in collecting property taxes. Based on specific statutory authority from the Texas Legislature, uncollectible personal property taxes and real property taxes, delinquent for 10 years and 20 years, respectively, are canceled and removed from the District's delinquent tax roll. The delinquent tax receivable allowance aggregately equals 43.2 percent of total outstanding property taxes and associated penalties and interest at June 30, 2025. The allowance percentage consists of 22.1 percent for outstanding property taxes and 21.8 percent for penalties and interest charges on outstanding property taxes.

G. Inventories and Prepaid Items

Inventories of supplies and materials on the balance sheet are stated at weighted average cost and include consumable custodial, maintenance, transportation, instructional, and office supplies. Inventories are accounted for using the consumption method. Inventories of governmental funds are recorded as expenditures when they are consumed rather than when purchased. Inventories of food commodities are recorded at market values supplied by the Texas Department of Agriculture. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Agriculture and recorded as inventory and revenue when received in the governmental funds. When requisitioned for use, inventory is relieved and the appropriate expenditure account is charged. Inventories of a governmental fund are included in nonspendable fund balance. If there is a constraint on how the eventual proceeds can be spent, the fund balance is classified to reflect that constraint (restricted, committed, or assigned), rather than included as part of nonspendable fund balance.

Prepaid items on the balance sheet are accounted for using the consumption method and are recognized as expenditures proportionately over the periods in which the services are provided. Prepaid items are categorized as nonspendable portions of fund balance to indicate that the assets are not available financial resources.

If there is a constraint on how the eventual proceeds can be spent, the fund balance is classified to reflect that constraint (restricted, committed, or assigned), rather than included as part of nonspendable fund balance.

Note 1 - Summary of Significant Accounting Policies (continued)

H. Capital Assets

Capital assets, which include land, buildings, furniture and equipment, and construction in progress are reported in the applicable governmental activities' column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed (except for intangible right-to-use lease and SBITA assets, the measurement which is discussed in Note 1.J.). Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value rather than fair value. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. When assets are retired or otherwise disposed of, the related costs or other recorded amounts are removed.

Land improvements, buildings, and furniture and equipment, intangible property, the right-to-use lease and SBITA assets of the District are depreciated/amortized using the straight-line method over the following estimated useful lives:

Assets	Years
Land improvements	20
Buildings	50
Building improvements	Remaining life of building or 20 years, whichever is less
Furniture and equipment	
Furniture, fixtures, and equipment	10
Information systems (computer equipment)	6
Automobiles	3
Buses	9
Light general-purpose trucks	4
Right-to-use lease assets	Lease term
Subscription assets	Subscription term

I. Compensated Absences

A liability is recognized for compensated absences when leave time meets the following criteria:

1. It has been earned for services previously rendered by employees.
2. It accumulates and is allowed to be carried over to subsequent years.
3. It is more likely than not (MLTN) to be used as time off or settled (e.g., paid in cash to the employee or deposited into a flexible spending account) during or upon separation from employment.

Based on these criteria, the following types of leave meet the recognition requirements under GASB Statement No. 101:

- State Personal Leave
- State Sick Leave (Pre-1995)
- Local Sick Leave
- Vacation Leave

Leave Policies Effective During the Current Fiscal Year

- State Personal Leave: Employees earn five (5) days per year. Leave accumulates without limit and is transferrable to other districts. This leave is not eligible for payment upon retirement or separation from the District.
- State Sick Leave: No longer earned, but retained if accumulated prior to 1995. It is transferrable between districts and not eligible for payment at retirement or separation.

Note 1 - Summary of Significant Accounting Policies (continued)

I. Compensated Absences (continued)

- Local Sick Leave: Salaried employees earn five (5) days per year, credited at the beginning of the year. Ancillary employees earn 0.5 days per month. Leave accumulates without limit. Upon retirement, employees are compensated at one-third of their daily rate, up to a maximum of $10,000.
- Vacation Leave: Employees earn vacation based on years of service:
    - Year 1: 5 days
    - Years 2–9: 10 days
    - 10+ years: 15 days

Salaried employees may accumulate up to 15 days. Up to 80 hours of unused vacation is eligible for payout upon termination depending on the reason for separation.

Liability Measurement

The District applied a Last-In, First-Out (LIFO) flow assumption in determining the liability for leave expected to be used as time off. Using data from the past three years, the District estimated how much leave is expected to be used (taken as time off) in future periods, as well as how much leave is expected to be earned in future periods. Under LIFO, the estimated leave to be earned in future periods offsets the estimated leave to be used as time off in future periods. Based on historical trends from the past three years, it is more likely than not that estimated leave earned in future periods will exceed the estimated time to be taken as time off in future periods. Therefore, the liability is calculated based solely on amounts due at retirement or separation, in accordance with policy limits.

Payroll-related costs have been added to the liability for fiscal years 2024 and 2025. See Note 7 for the compensated absences balances as of fiscal years 2024 and 2025. Note 17 describes the impact to beginning net position resulting from the implementation of GASB Statement No. 101.

J. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Leases

Lessee: The District is a lessee for a noncancellable lease of equipment. The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of $5,000 or more.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Note 1 - Summary of Significant Accounting Policies (continued)

J. Long-Term Obligations (continued)

Leases (continued)

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

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

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Subscription-Based Information Technology Arrangements

The District is under contracts for SBITA for various professional and educational software. The agreements/contracts are noncancellable and the District recognizes a SBITA liability and an intangible right-to-use SBITA asset in the government-wide financial statements. The District recognizes SBITA liabilities with an initial, individual value of $5,000 or more.

At the commencement of the SBITA, the District initially measures the SBITA liability at the present value of payments expected to be made during the SBITA term. Subsequently, the SBITA liability is reduced by the principal portion of SBITA payments made. The SBITA asset is initially measured as the initial amount of the SBITA liability, adjusted for payments made at or before the SBITA commencement date, plus certain initial direct costs. Subsequently, the SBITA asset is amortized on a straight-line basis over its useful life. Key estimates and judgments related to SBITA include how the District determines (1) the discount rate it uses to discount the expected SBITA payments to present value, (2) SBITA term, and (3) SBITA payments.

- The District uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for SBITAs.

- The SBITA term includes the noncancellable period of the SBITA and payments included in the measurement of the SBITA liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

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

SBITA assets are reported with other capital assets and SBITA liabilities are reported with long-term debt on the statement of net position.

Note 1 - Summary of Significant Accounting Policies (continued)

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. It is the deferred amounts related to pension and OPEB reported in the government-wide statement of net position. The deferred amounts related to pension and OPEB relate to differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension and OPEB related changes.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time. The District has four items that qualify for reporting in this category. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In the government-wide financial statements, the District reports deferred amounts related to pension and deferred amounts related to OPEB and a deferred gain on refunding. The deferred gain on refunding resulted from the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

L. Pensions

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

M. Other Post-Employment Benefits (OPEB)

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

N. Fund Balance Classifications

In the fund financial statements, governmental funds report classifications of fund balance based on controls placed upon the funds. In accordance with the Governmental Accounting Standards Board (GASB) Statement No. 54, effective June 30, 2011, fund balance classifications are recorded as follows:

Nonspendable Fund Balance – amounts that are not in spendable form or amounts that are legally and contractually required to be maintained intact.

Restricted Fund Balance – amounts constrained to a specific purpose by external parties through constitutional provisions or by enabling legislation.

Note 1 - Summary of Significant Accounting Policies (continued)

N. Fund Balance Classifications (continued)

Committed Fund Balance – amounts constrained to a specific purpose by a formal action by the District's highest level of decision-making authority, the Board of Trustees. The Board of Trustees passes a Resolution to commit these amounts on an annual basis. Once committed, the Board of Trustees must pass an additional resolution to modify or rescind the commitment.

Assigned Fund Balance – general fund amounts constrained to a specific purpose by the Board Finance Committee or the Superintendent and Chief Financial Officer, as authorized by the Fund Balance Classification portion of the Annual Operating Budget Board Policy CE-Local (shown below).

Unassigned Fund Balance – the residual classification applicable to the general fund only. A negative unassigned fund balance may be reported in other governmental funds if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to these purposes.

The District's fund balance policy as approved by the Board of Trustees is as follows:

"In order to preserve financial stability, the District must be prepared to respond to cash flow shortages, large or unexpected one-time expenditures, changes in the economy, and changes in state funding. The District shall, therefore, target a yearly unassigned general fund balance between 17 percent (sixty days) and 25 percent (ninety days) of total operating expenditures."

Additionally, the District shall target a yearly minimum restricted debt service fund balance of 25 percent of annual debt service requirements on all outstanding debt issuance.

Following any year where the audited fund balance falls outside the above-listed targeted range or below the minimum requirement, adjustments in budgeted expenditures shall be incorporated into the budget development process for that year. If the Board determines that the minimum targeted fund balance is not attainable in the proposed budget being considered, it shall be the goal of the Board to reach that level within a specified period of time, not to exceed two years. Additionally, the Board may establish assignments or commitments of fund balance from time to time in order to meet specific District needs. Assignments and commitments of fund balance shall be vetted and approved by the Board Finance Committee. Furthermore, commitments of fund balance shall be submitted to the Board for approval."

O. Data Control Codes

Data control codes refer to the account code structure prescribed by the TEA in the FASRG. The TEA requires school districts to display these codes in the financial statements filed with the TEA to ensure accuracy in building a statewide database for policy development and funding plans.

P. Net Position

Net position represents the differences between assets, deferred outflows, liabilities, and deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings, used for the acquisition, construction, or improvement of those assets. Net investment in capital assets excludes unspent bond proceeds. Net position is reported as restricted when there are limitations imposed on its use through external grantors, laws, or regulations of other governments.

Note 1 - Summary of Significant Accounting Policies (continued)

Q. Net Position and Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied. The order of spending and availability of the fund balance shall be to reduce funds from the listed areas in the following order: restricted, committed, assigned, and unassigned.

R. Arbitrage Payable

The *Federal Tax Reform Act of 1986* requires issuers of tax-exempt debt to make payments to the United States Treasury for investment income at yields that exceed the issuer's tax-exempt borrowing rates. The Treasury requires that rebatable arbitrage be calculated for tax purposes every fifth year that a debt issue is outstanding and at maturity. In the District's government-wide statements, a liability must be recognized as soon as rebatable arbitrage occurs. However, in the fund financial statements, consistent with the modified accrual basis of accounting, no liability is recognized until due and payable. The District estimates and updates its liability annually for all tax-exempt issuances. As of June 30, 2025, the District has estimated that it has an arbitrage liability of $7,631,462.

Note 2 - Deposits and Investments

The District's deposit and investment transactions are regulated by local, state, and federal statutes. In accordance with the Texas Education Code, the District has a depository contract with an area bank which may be selected through competitive bidding or requests for proposals. Each school district's depository contract must be renewed every two years and may be extended for three additional two-year periods. The contract and any extension of the contract must coincide with the District's fiscal year. Regulations require that all funds in the depository institution be fully secured by federal depository insurance or a combination of FDIC insurance and acceptable collateral securities and/or surety bonds. The District's policy requires the collateralization level to be 102 percent of fair value of principal and accrued interest (or 110 percent margin for mortgage-backed securities) and must be placed in custody with a trustee with a current District custodial agreement. Accordingly, the Federal Reserve Bank of New York is the trustee for the District's pledged securities and holds securities in the District's name. The District is responsible for reviewing the securities pledged to determine if they are acceptable for pledge purposes. Acceptable collateral securities include obligations of, or guaranteed by, the U.S. Government, its agencies and instrumentalities. Pledged securities may not be released or substituted without the written approval of the District.

At June 30, 2025, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) in governmental activities and fiduciary funds were $11,875,060 and $288,196 respectively. The bank balance as of June 30, 2025 was $16,040,059. The District's cash deposits at June 30, 2025, and at various times during the fiscal year 2025, were fully collateralized by FDIC insurance and a letter of credit held by the District's agent in the name of the District in accordance with Texas Government Code, Chapter 2257, Public Funds Collateral Act and the District's Investment Policy.

Note 2 - Deposits and Investments (continued)

The State Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. It requires the District to adopt, implement, and publicize an investment policy. The investment policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the United States Treasury, certain United States agencies, and obligations of the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. Management of the District believes it is in compliance with the requirements of the Act and with local policies. The District's temporary investments consist of balances held by the Texas Local Government Investment Pool (TexPool) and Lone Star Investment Pool (LSIP).

TexPool is a public funds investment pool created by the Texas Treasury Safekeeping Trust Company (Trust Company) to provide a safe environment for the placement of local government funds in authorized short-term, fully-collateralized investments, including direct obligations of, or obligations guaranteed by, the United States or State of Texas or their agencies; federally insured certificates of deposit issued by Texas banks or savings and loans; and fully collateralized direct repurchase agreements secured by United States Government agency securities and placed through a primary government securities dealer.

The Trust Company was incorporated by the State Treasurer by authority of the Texas Legislature as a special purpose trust company with direct access to the services of the Federal Reserve Bank to manage, disburse, transfer, safe keep, and invest public funds and securities more efficiently and economically. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. TexPool uses amortized cost rather than fair value to report net position to compute share prices. The fair value of the position in TexPool is the same as the value of TexPool shares. Accordingly, the District's investments in TexPool are stated at amortized cost, which approximates fair value. TexPool is currently rated AAAm by Standard and Poor's. This rating indicates excellent safety and a superior capacity to maintain principal value and limit exposure to loss.

LSIP is a Texas public investment pool sponsored by the Texas Association of School Boards (TASB) for investment of funds by state and local government entities, primarily local school districts. The Board has entered into an agreement with First Public, LLC (First Public), a Texas limited liability company and a member of the National Association of Securities Dealers, Securities Investor Protection Corporation, and Municipal Securities Rulemaking Board, pursuant to which First Public serves as administrator of LSIP's operations. American Beacon Advisors, Fort Worth, Texas, and Standish Mellon Asset Management Company, LLC, Pittsburgh, Pennsylvania, provide investment management services to LSIP regarding the investment and reinvestment of the pool's assets. The fund's credit quality is excellent as its portfolio is composed of U.S. government and U.S. agency securities. Investments in LSIP provide for investment in securities with maturities and returns generally greater than money market instruments. LSIP is marked-to-market daily to maintain an accurate net asset value. The District's fair value in LSIP is the same as the value of the pool shares. LSIP is currently rated AAAm by Standard and Poor's. This rating indicates excellent safety and a superior capacity to maintain principal value and limit exposure to loss.

The overall objective of the District's investment policy is to ensure that District financial assets are properly safeguarded, provide sufficient liquidity, and produce a reasonable rate of return while enabling the District to react to changes in economic conditions. For operating, fiduciary, and proprietary fund investments, the maximum maturity of an individual security may not exceed five years while the maximum dollar weighted average maturity must be three years or less. For debt service fund investments, the District's policy requires that each successive debt service payment be fully funded before extending investment maturities beyond that date. With the exception of state and local government securities, the maximum maturity of an individual debt service fund security may not exceed two years. Capital project funds' investments maturities must closely match projected cash flow needs with final maturity dates that do not exceed estimated project completion dates.

Note 2 - Deposits and Investments (continued)

At June 30, 2025 the District's cash and investment balances, the weighted average maturity, and the credit ratings of these investments were as follows:

	Fair Value/ Amortized Cost	Investment Maturities (in Years) Less than 1 year	1-5 years	Average Maturity (Days)	Credit Rating
Governmental Activities					
Cash and deposits	$ 13,886,019	N/A	N/A	N/A	N/A
Money market	14,659,797	N/A	N/A		
	28,545,816				
Investments					
Maturity Less than 1 Year:					
Local Government Investment Pools:					
Lone Star	246,313,835	$ 246,313,835	$ -	28	AAAm
Texas Connect	5,005,250	5,005,250	-	40	AAAm
TexPool	16,158,285	16,158,285	-	38	AAAm
	267,477,370	267,477,370	-		
Investment Securities					
Commercial Paper	112,707,979	112,707,979	-	112	AA+
U.S. Government Treasury Notes	78,504,729	22,152,828	56,351,901	500	AA+
Tennessee Valley Authority	1,521,405	-	1,521,405	989	AA+
Private Export Funding Corporation	673,808	-	673,808	837	AA+
Federal National Mortgage Assoc.	16,106,443	6,422,684	9,683,759	241	AA+
Federal Home Loan Mortgage Corp.	7,161,097	7,161,097	-	54	AA+
Federal Home Loan Bank	39,331,284	18,760,381	20,570,903	371	AA+
Federal Farm Credit Bank	52,226,613	22,582,538	29,644,075	879	AA+
Federal Agricultural Mortgage	4,766,646	3,150,323	1,616,323	207	AA+
	313,000,004	192,937,830	120,062,174		
Total Investments	580,477,374	460,415,200	120,062,174	197	N/A
Total Governmental Activities	609,023,190	460,415,200	120,062,174		
Fiduciary Funds					
Cash and Deposits	479,410	N/A	N/A	N/A	N/A
Investments					
Local Government Investment Pools:					
Lone Star	1,103,002	1,103,002	-	28	AAAm
Total Fiduciary Funds	1,582,412	1,103,002	-		
Total	$ 610,605,602	$ 461,518,202	$ 120,062,174		

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

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs – other than quoted prices included within Level 1 – that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

Note 2 - Deposits and Investments (continued)

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

The District participates in investment pools which are not subject to fair value measurement as presented in the table below. The District's remaining investments fair value measurements were as follows:

		Fair Value Measurements Using		
Investment Type	**June 30, 2025**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Investments Measured at Amortized Cost:				
Investment Pools:				
TexPool	$ 16,158,285	$ -	$ -	$ -
Investments Measured at Net Asset Value (NAV), Fair Value:				
LoneStar	247,416,837	-	-	-
Texas Connect	5,005,250	-	-	-
Investments by Fair Value Level:				
Commercial Paper	112,707,979	-	-	-
U.S. Government Treasury Notes	78,504,729	-	78,504,729	-
Tennessee Valley Authority	1,521,405	-	1,521,405	-
Private Export Funding Corporation	673,808	-	673,808	-
Federal National Mortgage Assoc.	16,106,443	-	16,106,443	-
Federal Home Loan Mortgage Corp.	7,161,097	-	7,161,097	-
Federal Home Loan Bank	39,331,284	-	39,331,284	-
Federal Farm Credit Bank	52,226,613	-	52,226,613	-
Federal Agricultural Mortgage	4,766,646	-	4,766,646	-
Total Value	$ 581,580,376	$ -	$ 200,292,025	$ -

Risk Related to Cash and Investments

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover collateral securities that are in the possession of an outside party. As mentioned above, since all of the District's deposits are secured by a combination of FDIC insurance and acceptable securities held by an independent third party in the District's name, the District has no exposure for credit risk for deposits. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. All investments of the District are held by independent third parties with a current District custodial agreement.

All book entry transactions are settled on a delivery versus payment (DVP) basis to a District approved depository to ensure District control of all its funds. No securities shall be held by the transaction's counterparty. Although the District's investment policy does not specifically address credit risk, the District's long-term investments are AAA rated or AA+ rated U.S. Agency securities and the pool investments are AAA rated public fund investment pools. The investment pools are not evidenced by securities that exist in physical form or book entry form and, accordingly, do not have custodial credit risk.

Note 2 - Deposits and Investments (continued)

Risk Related to Cash and Investments (continued)

To reduce exposure to changes in interest rates that could adversely affect the value of investments, the District uses final and weighted-average maturity limits and diversification. An investment has greater price volatility the longer it takes to mature. As described above, the District concentrates its investment portfolio in short and intermediate term securities to limit market risk caused by changes in interest rates. The District attempts to match its investments with anticipated cash flow requirements.

As noted in Note 1-E., the District reports its local government investment pools at amortized cost as permitted by GASB Statement No. 79, *Certain External Investment Pools and Pool Participants.* In addition, both Lone Star and TexPool do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. Both pools do not impose any liquidity fees or redemption gates.

Note 3 - Receivables and Unearned Revenues

Receivables as of June 30, 2025, for the government's individual major and non-major governmental funds, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Taxes - Current	$ 185,909	$ 83,607	$ -	$ 269,516
Taxes - Delinquent	7,615,094	2,589,083	-	10,204,177
Taxes - Penalties/Interest	4,006,509	1,595,598	-	5,602,107
Due from State	88,825,817	-	8,672,729	97,498,546
Due from Federal Agencies	33,506	-	2,238,365	2,271,871
Due from Other Governments:				
Due from City of Houston	5,205,745	-	-	5,205,745
Due from HCDE	-	-	49,363	49,363
Due from Local ISD's for Shared Services	-	-	228,077	228,077
Other	3,530,302	65,726	45,156	3,641,184
Gross Receivables	109,402,882	4,334,014	11,233,690	124,970,586
Less: Allowance for Uncollectibles	(5,326,307)	(1,612,906)	-	(6,939,213)
Net Total Receivables	$ 104,076,575	$ 2,721,108	$ 11,233,690	$ 118,031,373

Governmental funds do not recognize revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *unearned* reported in the governmental funds were as follows:

	General Fund	Nonmajor Governmental Funds	Total
Advanced funding	$ 7,522	$ 2,595,632	$ 2,603,154
Total Unearned Revenue for Governmental Funds	$ 7,522	$ 2,595,632	$ 2,603,154

Note 4 - Capital Assets

Capital asset activity for governmental funds for the year ended June 30, 2025, was as follows:

	Balance June 30, 2024	Additions	(Retirements)	Transfers	Balance June 30, 2025
Capital Assets, Not Being Depreciated/Amortized:					
Land	$ 126,572,352	$ 1,689,200	$ -	$ -	$ 128,261,552
Construction in progress	258,204,042	100,849,548	-	(201,174,410)	157,879,180
Total Capital Assets, Not Being Depreciated/Amortized	384,776,394	102,538,748	-	(201,174,410)	286,140,732
Capital Assets, Being Depreciated/Amortized:					
Buildings and improvements	1,188,302,692	39,689,432	-	201,174,410	1,429,166,534
Furniture and equipment	118,931,612	27,565,117	(3,676,297)	-	142,820,432
Lease assets:					
Buildings	619,484	174,739	(383,260)	-	410,963
Equipment	602,749	1,479,752	(817,395)	-	1,265,106
Subscription assets	4,431,446	2,091,611	(1,293,917)	-	5,229,140
Total Capital Assets, Being Depreciated/Amortized	1,312,887,983	71,000,651	(6,170,869)	201,174,410	1,578,892,175
Less Accumulated Depreciation/Amortization for:					
Buildings and improvements	(469,540,621)	(43,132,808)	-	-	(512,673,429)
Furniture and equipment	(79,989,004)	(8,484,319)	3,676,297	-	(84,797,026)
Lease assets:					
Buildings	(371,731)	(161,076)	383,260	-	(149,547)
Equipment	(376,854)	(1,142,949)	817,395	-	(702,408)
Subscription assets	(2,197,208)	(1,672,679)	1,293,917	-	(2,575,970)
Total Accumulated Depreciation/Amortization	(552,475,418)	(54,593,831)	6,170,869	-	(600,898,380)
Governmental Capital Assets	$ 1,145,188,959	$ 118,945,568	$ -	$ -	$ 1,264,134,527

Depreciation and amortization expense was charged to functions/programs of the District as follows:

Function	**Depreciation/ Amortization Expense**
Instruction	$ 38,303,332
Instructional resources and media services	2,007,353
Curriculum and staff development	136,058
Instructional leadership	83,352
School leadership	1,238,718
Guidance, counseling and evaluation services	417,350
Health services	410,223
Student transportation	1,959,407
Food Services	2,607,984
Extracurricular activities	2,645,762
General administration	1,136,795
Plant maintenance and operations	746,037
Security and monitoring services	1,261,377
Data processing services	1,593,877
Community services	46,206
Total Depreciation/Amortization Expense	$ 54,593,831

The District has active construction projects as of June 30, 2025. The projects include the construction of new facilities as well as major renovations and additions to existing facilities. As of June 30, 2025, construction in progress totaled $157.9 million. Open commitments to contractors totaled $82.5 million. Of this amount $15.4 million is related to the new Mosaic Campus, $13.8 million is for Foster Elementary replacement, and $14.4 million is for Summerwood Elementary additions.

Note 4 - Capital Assets (continued)

The calculation of Net Investments in Capital Assets as presented at Exhibit A-1 is as follows:

Capital Assets, Net of Depreciation and Amortization	$	1,264,134,527
Less:		
General obligation bonds		(1,295,795,000)
Premiums		(119,466,056)
Leases		(854,984)
Subscriptions		(1,457,445)
Deferred gain on refunding		3,488,961
Capital related payables		(34,496,634)
Plus:		
Unspent bond proceeds		304,262,044
Net Investment in Capital Assets Per Exhibit A-1	$	119,815,413

Note 5 - Unavailable Revenues

Governmental Funds report an amount that represents unavailable revenues from property taxes that are deferred inflows of resources and will be recognized as revenue when they become available. As of June 30, 2025, the District had the following Deferred Inflow of Resources:

	General Fund	Debt Service Fund	Total
Current property taxes receivable	$ 185,909	$ 83,607	$ 269,516
Delinquent property taxes receivable	6,295,296	2,571,775	8,867,071
Total Deferred Inflow of Resources	$ 6,481,205	$ 2,655,382	$ 9,136,587

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund receivables and payables balances as of June 30, 2025 is as follows:

	Interfund Receivable	Interfund Payable
General Fund	$ 5,711,505	$ 3,123,822
Debt Service Fund	2,859,059	257,281
Special Revenues Funds	2,965	5,454,224
Internal Service Funds	264,763	2,965
	$ 8,838,292	$ 8,838,292

The outstanding balances between funds result mainly from the time lag between the dates that reimbursable expenditures occur or deposits of revenue are received, the dates the transactions are recorded in the accounting system, and the date interfund payments are actually settled. All interfund receivables and payables will be liquidated within the next fiscal year. In the government-wide statements, all interfund transactions for receivables and payables have been eliminated.

Note 6 - Interfund Receivables, Payables, and Transfers (continued)

Interfund transfers are defined as "flows of assets without equivalent flows of assets in return and without a requirement for a payment." Interfund transfers during the year ended June 30, 2025 were as follows:

Transfer Out	Transfer In	Amount
General Fund	Capital Projects Fund	$ 5,400,000
General Fund	Internal Service Fund	21,200,000
Internal Service Fund	Internal Service Fund	92,336
	Total	$ 26,692,336

The General Fund transferred $5,400,000 to the Capital Projects fund in anticipation of bond proceeds. The General Fund transferred $21,000,000 to the Internal Service Fund to offset medical claims in anticipation of rebates and credits and also $200,000 to the Catering Fund to offset operational costs. The Public Entity Risk Fund transferred $92,336 to the Print Shop Fund to offset operational costs.

Note 7 - Long-Term Liabilities

General Obligation Bonds

The District issues general obligation bonds for governmental activities to provide resources for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Principal and interest requirements are payable solely from future revenues of the debt service fund which consists primarily of property taxes collected by the District and interest earnings. Certain outstanding bonds may be redeemed at their par value prior to their normal maturity dates in accordance with the terms of the related bond indentures. The District has never defaulted on any principal or interest payment.

On May 7, 2022, the District's voters approved a $775 million bond referendum, which includes Proposition A, $730 million for bond issuances to build new buildings, expanded campuses, fine arts, campus renewals, and outdoor facilities for students and the community; and Proposition B, $45 million for bond issuances to improve and upgrade technology equipment, systems, technology infrastructure, and instructional technology. As of June 30, 2025, the District had $275 million of authorized but unissued bonds from the 2022 bond referendum.

<u>Current Year Bond Issuances</u>

In March 2026, the District issued $267,795,000 Unlimited Tax School Building and Refunding Bonds, Series 2025 with an interest rate of 4.00% to 5.00%. The proceeds were used to advance refund $128,340,000 of the Unlimited Tax Schoolhouse and Refunding Bonds, Series 2015A which has interest rates 4.00% to 5.00%. The net proceeds from the refunding transaction totaled $128,799,127 (net of premium of $9,970,723 and issuance costs of $756,595) and were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, a portion of the Unlimited Tax Schoolhouse and Refunding Bonds, Series 2015A are considered defeased and the liability for those bonds has been removed from the statement of net position. The reacquisition price was less than the net carrying amount of the old debt by $6,942,706. This amount is reported as a deferred inflow of resources and is amortized over the remaining life of the refunding debt, which had a shorter remaining life than the refunded debt. The advance refunding reduced its total debt service payments by $6,074,770 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $5,103,946.

The Unlimited Tax School Building Bonds, Series 2025 had a par value of $150,000,000 with a premium of $9,053,709 and were recorded in the capital projects fund.

Note 7 - Long-Term Debt (continued)

General Obligation Bonds (continued)

General obligation bonds payable at June 30, 2025, are summarized as follows:

Issue	Original Issuance Amount	Interest Rate (%)	Final Maturity	Debt Outstanding
Unlimited Tax Schoolhouse & Refunding Bonds, Series 2015A	$ 218,385,000	3.50% to 5.50%	2039	$ 20,380,000
Unlimited Tax Refunding Bond, Series 2015B	27,255,000	3.00% to 5.00%	2030	10,770,000
Unlimited Tax School Building Bonds, Series 2016A	43,450,000	3.00% to 5.00%	2041	32,945,000
Unlimited Tax Refunding Bonds, Series 2016B	142,175,000	3.00% to 5.00%	2034	73,645,000
Unlimited Tax School Refunding Bonds, Series 2016C	86,120,000	4.00% to 5.00%	2033	52,210,000
Unlimited Tax School Building Bonds, Series 2018	114,815,000	3.00% to 5.00%	2049	107,680,000
Unlimited Tax School Building Bonds, Series 2020	136,665,000	2.50% to 5.00%	2049	124,775,000
Unlimited Tax School Building Bonds, Series 2020A	181,040,000	2.00% to 5.00%	2050	172,435,000
Unlimited Tax Refunding Bonds, Series 2020B	20,520,000	3.00% to 5.00%	2035	12,535,000
Unlimited Tax School Building Bonds, Series 2021	96,025,000	1.87% to 5.00%	2051	91,280,000
Unlimited Tax School Building Bonds, Series 2022	189,625,000	4.00% to 5.00%	2052	183,250,000
Unlimited Tax School Building Bonds, Series 2024	146,095,000	4.00% to 5.00%	2054	146,095,000
Unlimited Tax School Building & Refunding Bonds, Series 2025	267,795,000	4.00% to 5.00%	2055	267,795,000
				$ 1,295,795,000

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,	Principal	Interest	Totals
2026	$ 50,825,000	$ 51,864,571	$ 102,689,571
2027	53,745,000	50,832,797	104,577,797
2028	56,495,000	48,187,347	104,682,347
2029	54,525,000	45,600,797	100,125,797
2030	57,105,000	43,116,077	100,221,077
2031-2035	237,170,000	180,383,475	417,553,475
2036-2040	218,665,000	134,173,220	352,838,220
2041-2045	217,015,000	92,458,456	309,473,456
2046-2050	246,385,000	47,421,255	293,806,255
2051-2055	103,865,000	10,729,362	114,594,362
	$ 1,295,795,000	$ 704,767,357	$ 2,000,562,357

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management of the District has indicated that the District is in compliance with all significant limitations and restrictions at June 30, 2025.

Note 7 - Long-Term Debt (continued)

Changes in Long-term Liabilities

Long-term liability activity for the governmental activities for the year ended June 30, 2025 was as follows:

	Balance Restated at June 30, 2024	Additions	Retirements	Balance at June 30, 2025	Due Within One Year
General obligation bonds payable	$ 1,203,935,000	$ 267,795,000	$ (175,935,000)	$ 1,295,795,000	$ 50,825,000
Add: premium on bonds	114,207,549	19,024,432	(13,765,925)	119,466,056	-
Leases payable	388,663	1,654,491	(1,188,170)	854,984	377,558
SBITAs payable	1,389,211	1,072,601	(1,004,367)	1,457,445	895,358
Arbitrage liability	1,990,102	5,641,360	-	7,631,462	-
Compensated absences*	2,429,329	1,430,532	-	3,859,861	361,060
Workers' compensation liability	357,967	-	(110,327)	247,640	33,717
Medical insurance liability	5,271,398	55,484,848	(52,134,118)	8,622,128	8,622,128
Total	$ 1,329,969,219	$ 352,103,264	$ (244,137,907)	$ 1,437,934,576	$ 61,114,821

*The change in compensated absences above is a net change for the year.

During the 2025 fiscal year, the District contracted for the performance of an actuarial valuation of its reserve for unpaid workers' compensation claims. Based upon this valuation, the District decreased its reserve for incurred but not reported claims by $110,327 to a reserve total of $247,640 in the Internal Service Fund. Of this total, $213,923 is projected as the long-term portion. The District also contracted for the performance of an actuarial valuation of its reserve for unpaid medical insurance claims. Based upon this valuation, the District increased its reserve for incurred but not reported claims by $3,350,729 to a reserve total of $8,622,128. The Debt Service Fund is used to liquidate all retirement of bond-related debt, including arbitrage. The liabilities for lease-related and SBITA-related debt, as discussed in Note 9 and Note 10, respectively, are liquidated by the general fund and print shop fund. The liabilities for pension-related debt and OPEB-related debt, as discussed in Note 11 and Note 12, respectively, are fully liquidated by the general fund.

Note 8 - Fund Balance

Committed Fund Balance. The committed fund balance in the governmental funds consists of the following:

Nonmajor Governmental Funds Commitments:	
Committed for Campus/Department Activity Funds	$ 7,136,335
	$ 7,136,335

Note 8 - Fund Balance (continued)

Assigned Fund Balance. The assigned fund balance in the governmental funds consists of the following:

General Fund Assignments:		
Funds Earmarked for Outstanding Purchase Orders		$ 4,520,214
Other Assignments:		
Emergency Preparedness	$ 3,000,000	
Max 15% Carry Over	6,810,019	
Fiscal Contingency (Virtual & ADA Impact)	3,000,000	
Unbudgeted, Non-Recurring:		
Unbudgeted Capital Expenditures - TIRZ	15,572,769	
Safety and Capital Projects	5,189,981	
District Wide, One-Time Expenditures	4,428,587	
Health Insurance Claims Contingency	17,500,000	
Unbudgeted, Non-Recurring - Other	5,146,502	
Total Other Assignments		60,647,858
Total All Assignments		$ 65,168,072

Note 9 - Leases

The District is under contract for noncancellable leases that convey control of the right-to-use lease assets. The lease liabilities outstanding as of June 30, 2025, are as follows:

				Lease Liability		Lease Asset	
	Term		Interest	Original	Outstanding	Value of	Accumulated
Description	**Start Date**	**End Date**	**Rate**	**Amount**	**Balance**	**Lease Asset**	**Amortization**
Equipment	07/01/21	01/19/26	2.85%	$ 63,710	$ 8,937	$ 63,710	$ (55,601)
Equipment	07/01/21	08/31/25	2.85%	340,960	-	340,960	(327,322)
Equipment	07/01/22	06/30/27	4.10%	35,484	15,019	35,484	(21,291)
Equipment	08/01/22	02/01/26	4.51%	121,927	23,339	121,927	(100,535)
Equipment	08/08/23	08/31/26	3.95%	40,668	16,336	40,668	(24,852)
Equipment	07/01/24	03/01/28	4.58%	62,325	46,806	62,325	(16,620)
Equipment	07/01/24	06/30/28	3.97%	600,032	478,292	600,032	(156,187)
				1,265,106	588,729	1,265,106	(702,408)
Building	07/01/23	12/31/26	4.58%	236,224	105,479	236,224	(134,985)
Building	05/01/25	05/01/27	4.15%	174,739	160,776	174,739	(14,562)
				410,963	266,255	410,963	(149,547)
				$ 1,676,069	$ 854,984	$ 1,676,069	$ (851,955)

All amounts paid were previously included in the measurement of the lease liability and there were no other related outflows of resources for the period such as variable payments or termination penalties. In addition, there were no commitments incurred prior to commencement of any lease term and there were no impairment losses related to lease assets.

Note 9 - Leases (continued)

The future principal and interest lease payments as of June 30, 2025, were as follows:

Year Ending June 30,	Principal	Interest	Amount
2026	$ 377,558	$ 27,796	$ 405,354
2027	296,504	13,228	309,732
2028	180,922	3,929	184,851
Total	$ 854,984	$ 44,953	$ 899,937

Note 10 - SBITA Liabilities

The District is under contract for noncancellable SBITAs that convey control of the right-to-use software. The SBITA liabilities outstanding as of June 30, 2025, are as follows:

	Term			SBITA Liability		SBITA Asset	
Description	**Start Date**	**End Date**	**Interest Rate**	**Original Amount**	**Outstanding Balance**	**Value of SBITA Asset**	**Accumulated Amortization**
Educational Software	07/01/22	06/30/26	4.51%	$ 277,759	$ -	$ 277,759	$ (185,173)
Educational Software	07/01/22	09/30/25	4.51%	104,507	-	104,507	(95,798)
Educational Software	07/01/22	07/01/30	4.51%	378,000	-	378,000	(226,800)
Professional Software	07/01/22	06/30/26	4.51%	418,898	107,632	418,898	(314,174)
Professional Software	07/01/22	05/25/26	4.51%	161,980	-	161,980	(112,486)
Professional Software	07/01/22	05/31/26	4.51%	1,113,594	371,196	1,113,594	(773,329)
Educational Software	07/01/23	06/30/26	3.95%	432,483	144,160	432,483	(288,322)
Educational Software	12/12/23	12/11/26	4.58%	250,308	86,393	250,308	(125,152)
Professional Software	07/01/22	08/31/25	4.03%	135,781	-	135,781	(113,151)
Professional Software	08/01/24	07/31/29	4.46%	936,820	748,064	936,820	(171,750)
Professional Software	08/26/24	09/01/29	3.90%	1,019,010	-	1,019,010	(169,835)
				$ 5,229,140	$ 1,457,445	$ 5,229,140	$ (2,575,970)

All amounts paid were previously included in the measurement of the subscription liability and there were no other related outflows of resources for the period such as variable payments or termination penalties. In addition, there were no commitments incurred prior to commencement of any SBITA term and there were no impairment losses related to SBITA assets.

The future principal and interest SBITA payments as of June 30, 2025, were as follows:

Year Ending June 30,	Principal	Interest	Amount
2026	$ 895,358	$ 5,016	$ 900,374
2027	186,668	2,089	188,757
2028	187,361	1,395	188,756
2029	188,058	699	188,757
Total	$ 1,457,445	$ 9,199	$ 1,466,644

Note 11 - Employee Retirement Systems and Pension Plans

A. Plan Description

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

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

B. Pension Plan Fiduciary Net Position

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

C. 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 postemployment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

Accordingly, the 2023 Texas Legislature passed Senate Bill (SB) 10 and House Joint Resolution (HJR) 2 to provide eligible retirees with a one-time stipend and an ad hoc cost-of-living-adjustment (COLA).

One-Time Stipends

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

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

Note 11 - Employee Retirement Systems and Pension Plans (continued)

C. Benefits Provided (continued)

Cost-of-Living Adjustment

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

- 2% COLA for eligible retirees who retired between September 1, 2013 through August 31, 2020.
- 4% COLA for eligible retirees who retired between September 1, 2001 through August 31, 2013.
- 6% COLA for eligible retirees who retired on or before August 31, 2001.

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

D. Contributions

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

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

	Contribution Rates			
	September 1, 2024 to June 30, 2025	July 1, 2024 to August 31, 2024		Contribution Amounts
Member	8.25%	8.25%	$	32,929,056
Non-employer contributing agency	8.25%	8.25%		21,843,926
Employers	8.25%	8.25%		16,659,239

Contributors to the plan include active members, employers and the State of Texas as the only non-employer contributing entity. The State is also the employer for senior colleges and universities, medical schools, and other entities, including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate, times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year, reduced by the amounts described below which are paid by the employers. Employers (public schools, junior colleges, other entities, or the State of Texas as the employer for senior colleges, universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.

Note 11 - Employee Retirement Systems and Pension Plans (continued)

D. Contributions (continued)

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

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

- All public schools, charter schools, and regional education service centers must contribute 1.9 percent of the member's salary beginning in fiscal year 2024, gradually increasing to 2 percent in fiscal year 2025.
- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

E. Actuarial Assumptions

The total pension liability in the August 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Component	Result
Valuation Date	August 31, 2023, rolled forward to August 31, 2024
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%
Long-term Expected Rate	7.00%
Municipal Bond Rate as of August 2024	3.87% - The source for the rate is the Bond Buyers 20 Index which represents the estimated yield of a portfolio of 20 general obligation bonds maturing in 20 years based on a survey of municipal bond traders.
Last year ending August 31 in Projection Period (100 years)	2123
Inflation	2.30%
Salary Increases	2.95% to 8.95% including inflation
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2023. For a full description of these assumptions please see the actuarial valuation report dated November 20, 2024.

Note 11 - Employee Retirement Systems and Pension Plans (continued)

F. Discount Rate

A single discount rate of 7.00 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.00 percent. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the nonemployer contributing entity will be made at the rates set by the Legislature during the 2019 legislative session. It is assumed that future employer and state contributions will be 9.54% of payroll in fiscal year 2025 and thereafter. This includes all employer and state contributions for active and rehired retirees.

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

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

Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2024 are summarized below:

Asset Class	Target Allocation[2]	Long-Term Expected Geometric Real Rate of Return[3]	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.00%	4.40%	1.00%
Non-U.S. Developed	13.00%	4.20%	0.80%
Emerging Markets	9.00%	5.20%	0.70%
Private Equity[1]	14.00%	6.70%	1.20%
Stable Value			
Government Bonds	16.00%	1.90%	0.40%
Absolute Return[1]	0.00%	4.00%	0.00%
Stable Value Hedge Funds	5.00%	3.00%	0.20%
Real Return			
Real Estate	15.00%	6.60%	1.20%
Energy, Natural Resources & Infrastructure	6.00%	5.60%	0.40%
Commodities	0.00%	2.50%	0.00%
Risk Parity	8.00%	4.00%	0.40%
Leverage			
Cash	2.00%	1.00%	0.00%
Asset Allocation Leverage	-6.00%	1.30%	-0.10%
Inflation Expectation			2.40%
Volatility Drag[4]			-0.70%
Expected Return	100.00%		7.90%

[1] Absolute Return includes Credit Sensitive Investments.

[2] Target allocations are based on the fiscal year 2024 policy model.

[3] Capital Market Assumptions (CMA) come from 2024 AAA Study CMA Survey (as of 12/31/2023)

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

Note 11 - Employee Retirement Systems and Pension Plans (continued)

G. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.00%) in measuring the Net Pension Liability.

	Discount Rate		
	1% Decrease (6.00%)	**Current Rate (7.00%)**	**1% Increase (8.00%)**
District's proportional share of the net pension liability	$ 262,485,892	$ 164,335,787	$ 83,011,447

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

At June 30, 2025, the District reported a liability of $164,335,787 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	$ 164,335,787
State's proportionate share that is associated with the District	240,364,320
Total	$ 404,700,107

The net pension liability was measured as of August 31, 2023 and rolled forward to August 31, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2023 through August 31, 2024.

At August 31, 2024, the employer's proportion of the collective net pension liability was 0.2690% which was an increase of 0.0118% from its proportion measured as of August 31, 2023.

Changes in Assumptions and Benefits Since the Prior Actuarial Valuation

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

The 2023 Texas Legislature passed Senate Bill 10 (SB 10), which provided a stipend payment to certain retirees and variable ad hoc cost-of-living adjustments (COLA) to certain retirees in early fiscal year 2024. Due to its timing, the legislation and payments were not reflected in the August 31, 2023 actuarial valuation. Under the roll forward method, an adjustment was made to reflect the legislation in the rolled forward liabilities for the current measurement year, August 31, 2024. SB 10 and House Joint Resolution 2 (HJR 2) of the 88th Regular Legislative Session appropriated payments of $1.645 billion for one-time stipends and $3.355 billion for COLAs. This appropriation is treated as a supplemental contribution and included in other additions. Since the Legislature appropriated funds for this one-time stipend and COLA, there was no impact on the Net Pension Liability of TRS.

Note 11 - Employee Retirement Systems and Pension Plans (continued)

H. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Changes in Assumptions and Benefits Since the Prior Actuarial Valuation (continued)

For the year ended June 30, 2025, the District recognized pension expense of $26,056,960. The District also recognized on-behalf pension expense and revenue of $28,727,553 for support provided by the State.

At June 30, 2025, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 9,057,964	$ (1,283,054)
Changes of assumption	8,485,008	(1,137,550)
Net difference between projected and actual earnings on pension plan investments	998,940	-
Changes in proportion and differences between District contributions and proportionate share of contributions	13,856,852	(2,542,656)
District contributions subsequent to the measurement date of the net pension liability	14,074,893	-
Total	$ 46,473,657	$ (4,963,260)

The District recognized $14,074,893 as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the measurement year ended June 30, 2026. The other amounts of the District's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year	Pension Expense
2026	$ 3,614,620
2027	20,405,275
2028	4,776,972
2029	(2,622,142)
2030	1,260,779
	$ 27,435,504

Note 12 - Defined Other Post-Employment Benefit Plans

A. Plan Description

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

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

B. OPEB Plan Fiduciary Net Position

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

C. Benefits Provided

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

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

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

TRS-Care Monthly Premium Rates

	Medicare	Non-Medicare
Retiree or Surviving Spouse	$ 135	$ 200
Retiree and Spouse	529	689
Retiree or Surviving Spouse and Children	468	408
Retiree and Family	1,020	999

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

Note 12 - Defined Other Post-Employment Benefit Plans (continued)

D. Contributions

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of salary. Section 1575.204 establishes a public school contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the employer. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act, which is 0.75% of each active employee's pay for fiscal year 2025. The following table shows contributions to the TRS-Care plan by type of contributor.

	Contribution Rates		
	September 1, 2024 to June 30, 2025	July 1, 2024 to August 31, 2024	Contribution Amounts
Active Employee	0.65%	0.65%	$ 2,594,461
Non-Employer Contributing Entity (State)	1.25%	1.25%	7,513,430
District:			
District, Excluding Federal/Private Funding	0.75%	0.75%	2,991,325
Federal/Private Funding	1.25%	1.25%	203,676
Total District			3,195,001
Total			$ 13,302,892

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

E. Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2023. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2024. The actuarial valuation was determined using the following actuarial assumptions:

Component	Result
Valuation Date	August 31, 2023, rolled forward to August 31, 2024
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.87% as of August 31, 2024
Aging Factors	Based on the Society of Actuaries' 2013 Study "Health Care Costs - From Birth to Death".
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claim costs.
Projected Salary Increases	2.95% to 8.95% including inflation
Healthcare Trend Rates	The initial medical trend rate was 6.75 percent for non-Medicare retirees. For Medicare retirees, trend rates are higher in the first two years due to anticipated growth but thereafter match those of non-Medicare retirees. The initial prescription drug trend rate was 7.25 percent for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25 percent over a period of 11 years.
Election Rates	Normal Retirement: 62% participation rate prior to age 65 and 25% participation rate after age 65. Pre-65 retirees: 30% of pre-65 retirees are assumed to discontinue coverage at age 65.
Ad hoc post-employment benefit changes	None

Note 12 - Defined Other Post-Employment Benefit Plans (continued)

E. Actuarial Assumptions (continued)

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The demographic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 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, 2023 TRS pension actuarial valuation that was rolled forward to August 31, 2024: (a) Rates of Mortality, (b) Rates of Retirement, (c) Rates of Termination, (d) Rates of Disability, (e) General Inflation, and (f) Wage Inflation.

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

F. Discount Rate

A single discount rate of 3.87% was used to measure the total OPEB liability. This was a decrease of 0.26% in the discount rate since the previous year.

Because the investments are held in cash and there is no intentional objective to advance fund the benefits, the Single Discount Rate is equal to the prevailing municipal bond rate.

The source of the municipal bond rate is the Bond Buyer's "20-Bond GO Index" as of August 31, 2024 as of August 31, 2024 using the Fixed Income Market Data/Yield Curve/ Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

G. Discount Rate Sensitivity Analysis

Discount Rate - The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.87%) in measuring the net OPEB Liability.

	Discount Rate		
	1% Decrease 2.87%	Current Rate 3.87%	1% Increase 4.87%
District's proportional share of the net OPEB liability	$ 125,544,840	$ 105,673,318	$ 89,616,829

H. Healthcare Trend Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if a healthcare trend rate that is 1% less than and 1% greater than the assumed healthcare cost trend rate:

	Healthcare Cost Trend Rate		
	1% Decrease	Current Rate	1% Increase
District's proportional share of the net OPEB liability	$ 86,055,229	$ 105,673,318	$ 131,237,644

Note 12 - Defined Other Post-Employment Benefit Plans (continued)

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

At June 30, 2025, the District reported a liability of $105,673,318 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	$ 105,673,318
State's proportionate share that is associated with the District	132,407,234
Total	$ 238,080,552

The Net OPEB Liability was measured as of August 31, 2023 and rolled forward to August 31, 2024 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to OPEB relative to the contributions of all employers to the plan for the period September 1, 2023 through August 31, 2024.

At August 31, 2024 the District's proportion of the collective Net OPEB Liability was 0.3482% which was an increase of 0.0059% from its proportion measured as of August 31, 2023.

Changes Since the Prior Actuarial Valuation

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

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

Changes of Benefit Terms Since the Prior Measurement Date

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

For the year ended June 30, 2025, the District recognized negative OPEB expense of $9,146,740. The District also recognized negative on-behalf OPEB expense and revenue of $17,210,497 for support provided by the State.

At June 30, 2025, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 20,254,027	$ (52,736,715)
Changes of assumption	13,524,937	(34,479,981)
Net difference between projected and actual earnings on OPEB plan investments	-	(295,919)
Changes in proportion and differences between District contributions and proportionate share of contributions	24,451,834	(6,924,459)
District contributions subsequent to the measurement date of the net OPEB liability	2,675,381	-
Total	$ 60,906,179	$ (94,437,074)

Note 12 - Defined Other Post-Employment Benefit Plans (continued)

I. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs (continued)

Changes of Benefit Terms Since the Prior Measurement Date (continued)

The District recognized $2,675,381 as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date, which will be recognized as a reduction of the net OPEB liability in the measurement year ended June 30, 2026. The other amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year	OPEB Expense
2026	$ (11,897,289)
2027	(7,111,236)
2028	(9,411,923)
2029	(7,809,893)
2030	(3,869,499)
Thereafter	3,893,564
	$ (36,206,276)

J. Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended June 30, 2025, 2024, and 2023, the subsidy payments received by TRS-Care on-behalf of the District were $2,159,321, $2,053,537, and $2,005,834, respectively. The information for the year ended June 30, 2025 is an estimate provided by the Teacher Retirement System. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements of the District.

Note 13 - Risk Management

A. General

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. The District purchases replacement value commercial property insurance with a $250,000 deductible. The limits of commercial property insurance purchased are consistent with the prior year. In addition, no settlement amounts exceeded insurance coverage for each of the past three fiscal years.

Prior to July 1, 2011, the District sponsored a self-funded health care and workers' compensation program. Beginning July 1, 2011, the District ceased being self-funded for all employee benefits, with the exception of unemployment compensation benefits, and the health care and workers' compensation programs were moved to a public entity risk pool. This was done in an effort to minimize both the employer and employee cost of health care while maximizing plan design and minimizing financial risk. Effective September 1, 2014, the District ceased being self-funded for unemployment compensation benefits. This program was moved to a public entity risk pool. The self-funded insurance program continued to provide funding for run out claims incurred prior to June 30, 2011 for the workers' compensation and health care programs through June 30, 2025. All programs are accounted for in the District's internal service funds.

Note 13 - Risk Management (continued)

B. Workers' Compensation

Effective July 2011, the District changed from the self-funded workers' compensation plan to the workers' compensation plan offered by the Texas Association of School Boards (TASB), a public entity risk pool. Quarterly premiums are paid to TASB to cover all expenses related to worker's compensation claims incurred after July 1, 2011.

Prior to July 1, 2011, the District sponsored a self-funded program which was administered through a third party. Liabilities for claims incurred prior to July 1, 2011, include an estimated amount for claims which have been incurred but not reported (IBNR) based upon the District's historical claims experience. The estimates of IBNR claims were actuarially determined as of June 30, 2025.

The following is a summary of the changes in the balances of claims liabilities for workers' compensation for the internal service fund for the years ending June 30, 2025 and June 30, 2024 for claims incurred prior to July 1, 2011:

	2025	2024
Liability, Beginning of Period	$ 357,967	$ 366,089
Adjustment to estimated claims incurred	(104,574)	(2,492)
Payments on claims	(5,753)	(5,630)
Liability, End of Period	$ 247,640	$ 357,967

C. Health Care

Effective July 1, 2011, the District transitioned from the self-funded health care plan to TRS-ActiveCare, a public entity risk pool operated by the Teacher Retirement System (TRS) of Texas that provides medical and prescription benefits for eligible employees. Premiums are paid to TRS on a monthly basis to provide coverage to employees.

D. Alternative Medical Insurance Plans

Two self-funded medical insurance plans were available to District staff: The Humble High Deductible Medical Plan and the Humble Primary Medical Plan. For the 2024-2025 plan year, a total of 5,228 employees participated in the self-funded medical insurance offered through the District. Liabilities incurred include an estimated amount for claims which have been incurred but not reported (IBNR) based on current claims data and future trend assumptions. The estimates of IBNR claims were determined by a third-party plan administrator as of June 30, 2025. The following is a summary of the changes in the balances of claims liabilities for medical and prescription for the Medical Plan internal service fund for the years ending June 30, 2025 and June 30, 2024.

	2025	2024
Liability, Beginning of Period	$ 5,271,398	$ 4,462,762
Claims incurred	55,484,848	42,244,143
Claims paid	(52,134,118)	(41,435,507)
Liability, End of Period	$ 8,622,128	$ 5,271,398

Note 14 - Shared Service Arrangements - Fiscal Agent

The District is the fiscal agent for a Shared Service Arrangement (SSA) which provides services for deaf students of this District, as well as students of New Caney ISD, Sheldon ISD, Dayton ISD, Crosby ISD, and Huffman ISD. All services are provided by the fiscal agency, and funds are received directly from the member districts. According to SSA agreement, costs incurred by the SSA shall be divided among the member districts in proportion to the number of students each member district has attending the Regional Day School Program. According to the guidance provided in TEA's Financial Accountability System Resource Guide, the District has accounted for the activities of the SSA in the appropriate Special Revenue funds, which are accounted for in accordance with Model 1 in the SSA section of the Resource Guide.

The amount of revenues and expenditures recognized for the arrangements are as follows:

Regional Day School Program for the Deaf:		
Revenues:		
Crosby ISD	$	99,107
Dayton ISD		92,944
New Caney ISD		308,616
Sheldon ISD		111,944
Huffman ISD		37,999
Total Revenues	$	650,610
Expenditures:		
Payroll costs	$	433,245
Professional and Contracted Services		166,386
Supplies and Materials		45,784
Other Operating Costs		5,195
Total Expenditures	$	650,610

Note 15 - Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor agency cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

The District is a defendant in various lawsuits. Although the outcome of the majority of these lawsuits is not determinable presently, in the opinion of the District's counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the District.

Note 16 - Deficit Net Position/Fund Balance

As of June 30, 2025, the medical plan fund, an internal service fund, has a deficit net position of $12,426,049. This deficit is due to a timing difference for claims that were incurred but not invoiced for fiscal year 2025. The remaining shortfall is being addressed through increases to premiums and better benefits pricing through negotiated contracts. Additionally, state funded special revenues, fund 429, reported a deficit fund balance of $3,950.

Note 17 - Restatement of Beginning Balances

During the current year, the District implemented GASB Statement No. 101, *Compensated Absences*. In conjunction with this implementation, the District revised its methodology for compensated absences liabilities by adopting a Last-In, First-Out (LIFO) assumption to better reflect the actual usage patterns of employee leave absences. The effect of change in accounting principle is summarized below in the "Restatement – GASB 101 Implementation" column.

	Net Position 6/30/2024 as Previously Reported	Restatement - GASB 101 Implementation	Net position 6/20/2024 as Restated
Government-Wide			
Governmental activities	$ 153,724,529	$ (97,919)	$ 153,626,610
Total Government-Wide	$ 153,724,529	$ (97,919)	$ 153,626,610

APPENDIX E
THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

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

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

History and Purpose

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

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

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

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

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

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

Management and Administration of the Fund

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

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

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

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

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

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

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

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

The Total Return Constitutional Amendment

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

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

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

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

Annual Distributions to the Available School Fund[1]

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

[1] In millions of dollars. Source: Annual Report for year ended August 31, 2024.
[2] Reflects the first fiscal year in which distributions were made by the PSF Corporation.
[3] In September 2020, the SBOE approved a special, one-time transfer of $300 million from the portion of the PSF managed by the SBOE to the portion of the PSF managed by the SLB, which amount is to be transferred to the ASF by the SLB in fiscal year 2021. In approving the special transfer, the SBOE determined that the transfer was in the best interest of the PSF due to the historic nature of the public health and economic circumstances resulting from the COVID-19 pandemic and its impact on the school children of Texas.

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

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

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

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

PSF Corporation Strategic Asset Allocation

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

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

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

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

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

Comparative Investment Schedule – PSF(CORP)

Fair Value (in millions) August 31, 2024 and 2023

ASSET CLASS	August 31, 2024	August 31, 2023	Amount of Increase (Decrease)	Percent Change
EQUITY				
Domestic Small Cap	$3,651.3	$ 2,975.1	$ 676.2	22.7%
Domestic Large Cap	8,084.6	7,896.5	188.1	2.4%
Total Domestic Equity	11,735.9	10,871.6	864.3	8.0%
International Equity	4,131.1	7,945.5	(3,814.4)	-48.0%
TOTAL EQUITY	15,867.0	18,817.1	(2,950.1)	-15.7%
FIXED INCOME				
Domestic Fixed Income	-	5,563.7	-	-
US Treasuries	-	937.5	-	-
Core Bonds	8,151.6	-	-	-
Bank Loans	2,564.1	-	-	-
High Yield Bonds	2,699.5	1,231.6	1,467.9	119.2%
Emerging Market Debt	-	869.7	-	-
TOTAL FIXED INCOME	13,415.2	8,602.5	4,812.7	55.9%
ALTERNATIVE INVESTMENTS				
Absolute Return	3,106.0	3,175.8	(69.8)	-2.2%
Real Estate	6,101.0	6,525.2	(424.2)	-6.5%
Private Equity	8,958.8	8,400.7	558.1	6.6%

Emerging Manager Program	-	134.5	-	-
Real Return	-	1,663.7	-	-
Private Credit	2,257.9	-	-	-
Real Assets	4,648.1	4,712.1	(64.0)	-1.4%
TOT ALT INVESTMENTS	25,071.8	24,612.0	459.8	1.9%
UNALLOCATED CASH	2,583.2	348.2	2,235	641.9%
TOTAL PSF(CORP) INVESTMENTS	56,937.2	$ 52,379.8	$ 4,557.4	8.7%

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

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

Investment Schedule - PSF(SLB)[1]

Fair Value (in millions) August 31, 2024

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

[1] Unaudited figures from Table 5 in the FY 2024 Unaudited Annual Financial Report of the Texas General Land Office and Veterans Land Board.
[2] Historical Cost of investments at August 31, 2024 was: Sovereign Lands $838,730.24; Discretionary Internal Investments $318,902,420.97; Other Lands $37,290,818.76; and Minerals $13,437,063.73.
[3] Includes an estimated 1,000,000.00 acres in freshwater rivers.
[4] Includes an estimated 1,747,600.00 in excess acreage.
[5] Cash in State Treasury is managed by the Treasury Operations Division of the Comptroller of Public Accounts of the State of Texas.
[6] Future Net Revenues discounted at 10% and then adjusted for risk factors. A mineral reserve report is prepared annually by external third-party petroleum engineers.

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

The School District Bond Guarantee Program

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

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

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

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

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

The Charter District Bond Guarantee Program

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

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

Pursuant to the CDBGP Rules, the Education Commissioner annually determines the ratio of charter district students to total public school students, for the 2025 fiscal year, the ratio is 7.86%. At February 27, 2025, there were 188 active open-enrollment charter schools in the State and there were 1,222 charter school campuses authorized under such charters, though as of such date, 264 of such campuses are not currently serving students for various reasons; therefore, there are 958 charter school campuses actively serving students in Texas. Section 12.101, Texas Education Code, limits the number of charters that the Education Commissioner may grant to a total number of 305 charters. While legislation limits the number of charters that may be granted, it does not limit the number of campuses that may operate under a particular charter. For information regarding the capacity of the Guarantee

Program, see "Capacity Limits for the Guarantee Program." The Act provides that the Education Commissioner may not approve the guarantee of refunding or refinanced bonds under the Charter District Bond Guarantee Program in a total amount that exceeds one-half of the total amount available for the guarantee of charter district bonds under the Charter District Bond Guarantee Program.

In accordance with the Act, the Education Commissioner may not approve charter district bonds for guarantee if such guarantees will result in lower bond ratings for public school district bonds that are guaranteed under the School District Bond Guarantee Program. To be eligible for a guarantee, the Act provides that a charter district's bonds must be approved by the Attorney General, have an unenhanced investment grade rating from a nationally recognized investment rating firm, and satisfy a limited investigation conducted by the TEA.

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

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

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

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

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

Capacity Limits for the Guarantee Program

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

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

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

Changes in SBOE-determined multiplier for State Capacity Limit

Date	Multiplier
Prior to May 2010	2.50
May 2010	3.00
September 2015	3.25
February 2017	3.50
September 2017	3.75
February 2018 (current)	3.50

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

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

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

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

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

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

2017 Legislative Changes to the Charter District Bond Guarantee Program

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

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

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

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

Charter District Risk Factors

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

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

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

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

Ratings of Bonds Guaranteed Under the Guarantee Program

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

Valuation of the PSF and Guaranteed Bonds

Permanent School Fund Valuations

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

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

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

Permanent School Fund Guaranteed Bonds

At 8/31	Principal Amount[1]
2020	$90,336,680,245
2021	95,259,161,922
2022	103,239,495,929
2023	115,730,826,682
2024	125,815,981,603[2]

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

[2] At August 31, 2024 (the most recent date for which such data is available), the TEA expected that the principal and interest to be paid by school districts and charter districts over the remaining life of the bonds guaranteed by the Guarantee Program was $196,294,405,488, of which $70,478,423,885 represents interest to be paid. As shown in the table above, at August 31, 2024, there were $125,815,981,603 in principal amount of bonds guaranteed under the Guarantee Program. Using the State Capacity Limit of $169,961,518,160 (the State Capacity Limit is currently the Capacity Limit), net of the Capacity Reserve, as of January 31, 2025, 7.69% of the Guarantee Program's capacity was available to the Charter District Bond Guarantee Program. As of January 31, 2025, the amount of outstanding bond guarantees represented 76.33% of the Capacity Limit (which is currently the State Capacity Limit). January 31, 2025 values are based on unaudited data, which is subject to adjustment.

Permanent School Fund Guaranteed Bonds by Category[1]

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

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

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

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

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

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

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

PSF Returns Fiscal Year Ended 8-31-2024[1]

Portfolio	Return	Benchmark Return[2]
Total PSF(CORP) Portfolio	10.12	9.28
Domestic Large Cap Equities	27.30	27.14
Domestic Small/Mid Cap Equities	18.35	18.37
International Equities	18.82	18.08
Private Credit	1.41	0.93
Core Bonds	7.08	7.30
Absolute Return	11.50	8.87
Real Estate	(6.42)	(7.22)
Private Equity	4.62	4.23
High Yield	12.03	12.53
Natural Resources	12.36	6.42
Infrastructure	4.41	3.63
Bank Loans	3.02	3.23
Short Term Investment Portfolio	2.42	2.28

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

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

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

Other Events and Disclosures

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

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

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

PSF Continuing Disclosure Undertaking

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

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

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

Annual Reports

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

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

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

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

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

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

Event Notices

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

Availability of Information

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

Limitations and Amendments

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

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

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

Compliance with Prior Undertakings

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

SEC Exemptive Relief

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