

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.

Ratings: Moody's "Aa3"
(See "RATINGS")

PRELIMINARY OFFICIAL STATEMENT

Dated: February 19, 2026

NEW ISSUE: BOOK-ENTRY-ONLY

In the opinion of Bond Counsel, interest on the Notes will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein.

\$19,300,000*

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Tarrant County, Texas)
MAINTENANCE TAX NOTES, SERIES 2026

Dated Date: February 15, 2026

Due: August 15, as shown on page 2

Interest Accrual Date: Date of Delivery (defined below)

The Eagle Mountain-Saginaw Independent School District (the "District") is issuing its \$19,300,000* Maintenance Tax Notes, Series 2026 (the "Notes") in accordance with the Constitution and general laws of the State of Texas, including, particularly, Chapter 1371, Texas Government Code, as amended ("Chapter 1371"), Section 45.108, Texas Education Code, as amended, and a note resolution (the "Note Resolution") adopted by the Board of Trustees (the "Board") of the District on January 20, 2026, in which the Board delegated pricing of the Notes and certain other matters to a "Pricing Officer" who will approve and execute a "Pricing Certificate" which will complete the sale of the Notes (the Note Resolution and the Pricing Certificate are collectively referred to as the "Resolution").

The Notes constitute direct obligations of the District and are payable as to principal and interest from available funds of the District, including the proceeds of an annual ad valorem tax levied for maintenance purposes by the District against all taxable property located within the District, within the limitations of the District's maintenance tax authority, as provided in the Resolution (see "THE NOTES – Security," "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS," "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" and "TAX RATE LIMITATIONS").

Interest on the Notes will accrue from the date they are initially delivered to the initial purchaser thereof (the "Purchaser"), and will be payable on February 15, 2027, and semiannually thereafter on each succeeding August 15 and February 15 of each year until stated maturity or prior redemption. The Notes will be issued in principal denominations of \$5,000 or any integral multiple thereof within a maturity. Interest accruing on the Notes will be calculated on the basis of a 360-day year of twelve 30-day months (see "THE NOTES – General Description").

The District intends to use the Book-Entry-Only System of The Depository Trust Company ("DTC"), but use of such system could be discontinued. The principal of and interest on the Notes at maturity or on a prior redemption date will be payable to Cede & Co., as nominee for DTC, by The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, as the initial Paying Agent/Registrar (the "Paying Agent/Registrar") for the Notes. **No physical delivery of the Notes 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 Notes (see "BOOK-ENTRY-ONLY SYSTEM").

Proceeds from the sale of the Notes will be used (i) for maintenance expenses of the District, including the purchase of school buses, vehicles, and equipment for the District's transportation department, and (ii) to pay the cost of issuance of the Notes (see "THE NOTES – Purpose").

CUSIP PREFIX: 269696 / MATURITY SCHEDULE & 9 DIGIT CUSIP – See Schedule on Page 2

The Notes are offered when, as and if issued, and accepted by the Purchaser, subject to the approving opinion of the Attorney General of the State of Texas and the opinion of Norton Rose Fulbright US LLP, Dallas, Texas, Bond Counsel. The Notes are expected to be available for initial delivery through the services of DTC on or about March 26, 2026 (the "Date of Delivery").

BIDS DUE THURSDAY, FEBRUARY 26, 2026
AT 11:00 A.M., CENTRAL TIME

* Preliminary, subject to change.

MATURITY SCHEDULE*

Maturity Date* <u>(8/15)</u>	Principal Amount*	Interest Rate	Initial Yield	CUSIP Suffix^(A)
2027	\$ 1,775,000	%	%	
2028	2,185,000			
2029	2,295,000			
2030	2,410,000			
2031	2,505,000			
2032	2,605,000			
2033	2,710,000			
2034	2,815,000			

(Interest to accrue from the Date of Delivery)

REDEMPTION*...The Notes maturing on and after August 15, 2030, are subject to redemption prior to stated maturity, at the option of the District, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2029, 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 NOTES – Redemption Provisions”). If two or more consecutive serial maturities of the Notes are grouped into a single maturity (the “Term Notes”) by the Purchaser, such Term Notes will be subject to mandatory sinking fund redemption in accordance with applicable provisions of the Resolution and will be described in the final Official Statement.

* Preliminary, subject to change.

^(A) 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. CUSIP numbers have been assigned to this issue by the CUSIP Service Bureau and are included solely for the convenience of the owners of the Notes. This data is not intended to create a database and does not serve in any way as a substitute for CUSIP services. None of the District, the Financial Advisor or the Purchaser shall be responsible for the selection or correctness of the CUSIP numbers set forth herein. Further, CUSIP numbers are subject to change after the issuance of the Notes as a result of various subsequent actions including, but not limited to, a partial defeasance of the Notes.

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

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.

Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of the 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 NOTES 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 NOTES IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THE NOTES HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION FOR THE PURCHASE THEREOF.

IN CONNECTION WITH THIS OFFERING, THE PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE THE MARKET PRICE OF THE NOTES 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 Purchaser 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 described under “BOOK-ENTRY-ONLY SYSTEM” as such information has been provided by DTC.

The agreements of the District and others related to the Notes 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 Notes is to be construed as constituting an agreement with the purchaser of the Notes. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

Neither the United States Securities and Exchange Commission nor any state securities commission has approved or disapproved of the Notes or passed upon the adequacy or accuracy of this document. Any representation to the contrary is a criminal offense.

THIS OFFICIAL STATEMENT CONTAINS “FORWARD-LOOKING” STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. 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” herein.

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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

The 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 Notes (as defined herein) 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	Eagle Mountain-Saginaw Independent School District (the “District”) is a political subdivision of the State of Texas (the “State”) located in Tarrant County, Texas. The District is governed by a seven-member Board of Trustees (the “Board”). Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools, who is the chief administrative officer of the District. Support services are supplied by consultants and advisors. For more information regarding the District, see “Appendix A – FINANCIAL INFORMATION REGARDING THE DISTRICT” and “Appendix B – GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY.”
Authority for Issuance	The District’s Maintenance Tax Notes, Series 2026 (the “Notes”) are being issued pursuant to the Constitution and general laws of the State, including, particularly, Chapter 1371, Texas Government Code, as amended (“Chapter 1371”), Section 45.108, Texas Education Code, as amended, and a note resolution (the “Note Resolution”) adopted by the Board on January 20, 2026. In the Note Resolution, the Board delegated to an officer of the District (the “Pricing Officer”) authority to complete the sale of the Notes. The terms of the sale will be included in a “Pricing Certificate,” which will be approved and executed by the Pricing Officer and will complete the sale of the Notes (the Note Resolution and the Pricing Certificate are collectively referred to as the “Resolution”) (see “THE NOTES – Authorization”).
The Notes	The Notes shall mature on the dates and in the amounts set forth on page 2 of this Official Statement (see “THE NOTES – General Description”).
Payment of Interest	Interest on the Notes will accrue from the date of their initial delivery (the “Date of Delivery”) to the initial purchaser thereof (the “Purchaser”) and will be payable on February 15, 2027, and semiannually thereafter on each succeeding August 15 and February 15 of each year until stated maturity or prior redemption (see “THE NOTES – General Description”).
Security	The Notes constitute direct obligations of the District and are payable as to principal and interest from available funds of the District, including the proceeds of an annual ad valorem tax levied for maintenance purposes by the District against all taxable property within the District, within the limitations of the District’s maintenance tax authority, as provided in the Resolution (see “THE NOTES – Security” and “TAX RATE LIMITATIONS”). 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. The Notes are not guaranteed by the State of Texas Permanent School Fund Guarantee Program (see “THE NOTES – Security”).
Use of Proceeds	Proceeds from the sale of the Notes will be used (i) for maintenance expenses of the District, including the purchase of school buses, vehicles, and equipment for the District’s transportation department, and (ii) to pay the cost of issuance of the Notes (see “THE NOTES – Purpose”).
Redemption Provisions*	The Notes maturing on and after August 15, 2030, are subject to redemption prior to stated maturity, at the option of the District, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2029, 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 NOTES – Redemption Provisions”). If two or more consecutive serial maturities of the Notes are grouped into a single maturity (the “Term Notes”) by the Purchaser, such Term Notes will be subject to mandatory sinking fund redemption in accordance with applicable provisions of the Resolution and will be described in the final Official Statement.
Tax Exemption	In the opinion of Bond Counsel, interest on the Notes will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under “TAX MATTERS” herein.

* Preliminary, subject to change.

Ratings	<p>Moody’s Investors Service, Inc. (“Moody’s”) has assigned a municipal bond rating of “Aa3” to the Notes (without regard to any credit enhancement) (see “RATINGS”). The Notes are not guaranteed by the State of Texas Permanent School Fund Guarantee Program (see “THE NOTES – Security”).</p> <p>S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC (“S&P”), and Fitch Ratings, Inc. (“Fitch”) have previously assigned ratings to certain of the District’s outstanding bonds; however, the District has not requested S&P or Fitch assign a rating to the Notes (see “RATINGS”).</p>
Book-Entry-Only System	<p>The definitive Notes will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Notes may be acquired in principal denominations of \$5,000 or integral multiples thereof. No physical delivery of the Notes will be made to the beneficial owners thereof. The principal of and interest on the Notes at maturity or on a prior redemption date 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 Notes (see “BOOK-ENTRY-ONLY SYSTEM”).</p>
Paying Agent/Registrar	<p>The initial Paying Agent/Registrar for the Notes is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (see “REGISTRATION, TRANSFER AND EXCHANGE – Paying Agent/Registrar”).</p>
Continuing Disclosure of Information	<p>Pursuant to the Resolution, the District is obligated to provide certain updated financial information and operating data annually, and to provide timely notice of certain specified events, which will be available to investors as described in the section captioned “CONTINUING DISCLOSURE OF INFORMATION.”</p>
Payment Record	<p>The District has never defaulted on the payment of its bonded indebtedness.</p>
Legality	<p>Delivery of the Notes is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality and tax exemption by Norton Rose Fulbright US LLP, Dallas, Texas, Bond Counsel (see “LEGAL MATTERS” and “TAX MATTERS”).</p>

For additional information regarding the District, please contact:

Robb Welch Chief Financial Officer Eagle Mountain-Saginaw Independent School District or 1600 Mustang Rock Road Fort Worth, Texas 76179 Phone: (817) 232-0880	Joshua McLaughlin or Alison Long BOK Financial Securities, Inc. 5601 Granite Parkway, Suite 1300 Plano, Texas 75024 Phone: (214) 576-0878
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**EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
OFFICIALS, STAFF AND CONSULTANTS**

ELECTED OFFICIALS

<u>Name</u>	<u>Term Expires</u>	<u>Occupation</u>
Marilyn Tolbert, Ed.D., President	May 2027	Retired Educator
Steven G. Newcom, Vice President	May 2028	Retired Certified Public Accountant
Paige Ring, Secretary	May 2027	Community Volunteer
T. Craig Morgan, Member	May 2028	Construction Executive
William Boaz, Member	May 2028	Local Business Owner
Ron Franklin, Member	May 2026	Retired Educator
Blake Mabry, Member	May 2026	Local Business Owner

CERTAIN DISTRICT OFFICIALS

<u>Name</u>	<u>Position</u>
Jerry Hollingsworth, Ed.D.	Superintendent of Schools
Walter Berringer, Ed.D.	Deputy Superintendent
Robb Welch	Chief Financial Officer
Clete Welch	Chief Operations Officer
Ashley Alloway	Executive Director of Secondary Services
Beth Sanders	Executive Director of Elementary Services
Chris Morgan	Executive Director of Human Resources
Heather L. Hughes, Ph.D.	Executive Director of Special Programs
Matthew LeBlanc	Executive Director of Communications
Jane Valdez	Executive Director of Finance
Doug Kittinger	Director of Budget and Investments

CONSULTANTS AND ADVISORS

Auditors..... Hankins, Eastup, Deaton, Tonn, Seay & Scarborough, LLC
Denton, Texas

Bond Counsel.....Norton Rose Fulbright US LLP
Dallas, Texas

Financial Advisor.....BOK Financial Securities, Inc.
Plano, Texas

PRELIMINARY OFFICIAL STATEMENT RELATING TO
\$19,300,000*
EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Tarrant County, Texas)
MAINTENANCE TAX NOTES, SERIES 2026

INTRODUCTORY STATEMENT

This Official Statement, including Appendices A, B and D, has been prepared by the Eagle Mountain-Saginaw Independent School District located in Tarrant County, Texas (the “District”), in connection with the offering by the District of its Maintenance Tax Notes, Series 2026 (the “Notes”), identified on the cover page hereof.

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 Notes and the Resolution (as defined herein), 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, BOK Financial Securities, Inc., 5601 Granite Parkway, Suite 1300, Plano, Texas 75024.

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 (the “MSRB”) and will be available through its Electronic Municipal Market Access (“EMMA”) system. 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.

THE NOTES

Authorization

The Notes are being issued pursuant to the Constitution and general laws of the State of Texas (the “State”), including, particularly, Chapter 1371, Texas Government Code, as amended (“Chapter 1371”), Section 45.108, Texas Education Code, as amended, and a note resolution (the “Note Resolution”) adopted by the District’s Board of Trustees (the “Board”) on January 20, 2026. In the Note Resolution, the Board delegated to an officer of the District (the “Pricing Officer”) authority to complete the sale of the Notes. The terms of the sale will be included in a “Pricing Certificate,” which will be approved and executed by the Pricing Officer and will complete the sale of the Notes (the Note Resolution and the Pricing Certificate are collectively referred to as the “Resolution”). Capitalized terms used herein have the same meanings assigned to such terms in the Resolution, except as otherwise indicated.

Purpose

Proceeds from the sale of the Notes will be used (i) for maintenance expenses of the District, including the purchase of school buses, vehicles, and equipment for the District’s transportation department, and (ii) to pay the cost of issuance of the Notes.

General Description

The Notes shall be dated February 15, 2026, and interest accruing on the Notes will be calculated on the basis of a 360-day year of twelve 30-day months. Interest on the Notes will accrue from the date of their initial delivery (the “Date of Delivery”) to the initial purchaser thereof (the “Purchaser”), at the interest rates shown on page 2 hereof and such interest shall be payable to the registered owners thereof commencing on February 15, 2027, and semiannually thereafter on each succeeding August 15 and February 15 until stated maturity or prior redemption. The Notes are to mature on the dates and in the principal amounts shown on page 2 hereof. The Notes will be issued as fully registered obligations in principal denominations of \$5,000 or any integral multiple thereof within a maturity. The paying agent and transfer agent for the Notes is initially The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the “Paying Agent/Registrar”).

* Preliminary, subject to change.

Initially, the Notes will be registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described herein. No physical delivery of the Notes will be made to the beneficial owners. The principal of and interest on the Notes at maturity or upon prior redemption 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 Notes. See “BOOK-ENTRY-ONLY SYSTEM” for a more complete description of such system.

Interest on the Notes 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 determining the party to whom interest is payable on any interest payment date for the Notes is the close of business on the last business day of the month next preceding such interest payment date (the “Record Date”) (see “REGISTRATION, TRANSFER AND EXCHANGE – Record Date for Interest Payment”). The principal of the Notes at maturity or on a prior redemption date will be payable only upon presentation and surrender of such Notes 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 Notes, all payments will be made as described under “BOOK-ENTRY-ONLY SYSTEM” herein.

Security

The Notes constitute direct obligations of the District and are payable as to principal and interest from available funds of the District, including the proceeds of an annual ad valorem tax levied for maintenance purposes by the District against all taxable property located within the District, within the limitations of the District’s maintenance tax authority, as provided in the Resolution (see “STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS,” “CURRENT PUBLIC SCHOOL FINANCE SYSTEM” and “TAX RATE LIMITATIONS”). **The Notes are not guaranteed by the State of Texas Permanent School Fund Guarantee Program.**

Redemption Provisions*

The Notes maturing on and after August 15, 2030, are subject to redemption prior to stated maturity, at the option of the District, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2029, or any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. If less than all of the Notes are to be redeemed, the District shall determine the principal amount and maturities to be redeemed and shall direct the Paying Agent/Registrar to select by lot or other customary method that results in a random selection, the Notes or portions thereof within a maturity, to be redeemed.

If two or more consecutive serial maturities of the Notes are grouped into a single maturity (the “Term Notes”) by the Purchaser, such Term Notes will be subject to mandatory sinking fund redemption in accordance with applicable provisions of the Resolution and will be described in the final Official Statement.

Notice of Redemption

At least 30 days prior to the date fixed for any such redemption of the Notes, 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 NOTES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND INTEREST ON SUCH NOTES OR PORTION THEREOF SHALL CEASE TO ACCRUE, IRRESPECTIVE OF WHETHER SUCH NOTES ARE SURRENDERED FOR PAYMENT.

With respect to any optional redemption of the Notes, unless moneys sufficient to pay the principal of and premium, if any, and interest on the Notes to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption is conditional upon the receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon the satisfaction of any prerequisites set forth in such notice of redemption; and, if sufficient moneys are not received or such prerequisites are not satisfied, such notice shall be of no force and effect, the District shall not redeem such Notes and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Notes have not been redeemed.

* Preliminary, subject to change.

The Paying Agent/Registrar and the District, so long as a Book-Entry-Only System is used for the Notes, will send any notice of redemption, notice of proposed amendment to the Resolution or other notices with respect to the Notes 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 Notes called for redemption or any other action premised on any such notice. Redemption of portions of the Notes by the District will reduce the outstanding principal amount of such Notes held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Notes 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 Notes from the beneficial owners. Any such selection of Notes to be redeemed will not be governed by the Resolution 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 Notes or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Notes selected for redemption (see “BOOK-ENTRY-ONLY SYSTEM”).

Legality

The Notes are offered when, as and if issued, and subject to the approval of legality by the Attorney General of the State of Texas and the opinion of Norton Rose Fulbright US LLP, Dallas, Texas (see “LEGAL MATTERS” and “Appendix C – FORM OF LEGAL OPINION OF BOND COUNSEL”).

Payment Record

The District has never defaulted with respect to the payment of its bonded indebtedness.

Defeasance of Notes

The Resolution provides for the defeasance of the Notes when payment of the principal of and premium, if any, on the Notes, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with the Paying Agent/Registrar, or an authorized escrow agent, in trust (1) money in an amount sufficient to make such payment and/or (2) Government Securities that have been certified by the District’s financial advisor, the Paying Agent/Registrar, an independent certified public accountant, or another qualified third party to mature as to principal and interest in such amounts and at such times to ensure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Notes. The District has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance. The Resolution provides that the term “Government Securities” means (i) direct noncallable obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that on the date of their acquisition or purchase by the District are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that on the date of their acquisition or purchase by the District, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent and (iv) any other then authorized securities or obligations under applicable State law that may be used to defease obligations such as the Notes. Authorized District officials may limit these eligible securities as deemed necessary in connection with the sale of the Notes. In the event the District restricts such eligible securities, the final Official Statement will reflect the new authorized Government Securities. There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Notes. Because the Resolution does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that any particular rating for U.S. Treasury securities used as Government Securities or the rating for any other Government Security will be maintained at any particular rating category.

Upon such deposit as described above, such Notes shall no longer be regarded to be outstanding or unpaid, and thereafter the District will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Notes, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Government Securities. Provided, however, the District has reserved the option, to be exercised at the time of the defeasance of the Notes, to call for redemption, at an earlier date, those Notes which have been defeased to their maturity date, if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Notes for redemption; (ii) gives notice of the reservation

of that right to the owners of the Notes immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Amendments

The District may, without the consent of or notice to any holders of the Notes, from time to time and at any time, amend the Resolution in any manner not detrimental to the interests of the holders of the Notes, including the curing of any ambiguity, inconsistency or formal defect or omission therein. In addition, the District may, with the consent of holders of the Notes who own in the aggregate a majority of the principal amount of the Notes then outstanding, amend, add to, or rescind any of the provisions of the Resolution; provided that, without the consent of all holders of outstanding Notes affected thereby, no such amendment, addition or rescission shall (1) extend the time or times of payment of the principal of and interest on the Notes, reduce the principal amount thereof, the redemption price, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of or interest on the Notes, (2) give any preference to any Note over any other Note, or (3) reduce the aggregate principal amount of Notes required to be held by holders for consent to any such amendment, addition or rescission.

Sources and Uses of Funds

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

Sources:

Principal Amount of the Notes	\$
[Net] Original Issue Reoffering Premium on the Notes	
Total Sources of Funds	<u>\$</u>

Uses:

Deposit to Project Fund	\$
Costs of Issuance and Purchaser’s Discount	
Total Uses of Funds	<u>\$</u>

REGISTERED OWNERS’ REMEDIES

The Resolution does not specify events of default with respect to the Notes. If the District defaults in the payment of principal, interest or redemption price on the Notes when due, or if it fails to make payments into any fund or funds created in the Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Resolution, the registered owners may seek a writ of mandamus to compel District officials to carry out their legally imposed duties with respect to the Notes, if there is no other available remedy at law to compel performance of the Notes or the Resolution covenants and the District’s obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Notes in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Resolution does not provide for the appointment of a trustee to represent the interest of the Noteholders upon any failure of the District to perform in accordance with the terms of the Resolution, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in “clear and unambiguous” language. Chapter 1371, which pertains to the issuance of public securities by issuers such as the District, permits the District to waive sovereign immunity in the proceedings authorizing its bonds. Notwithstanding its reliance upon the provisions of Chapter 1371 in connection with the issuance of the Notes (as further described under the subcaption “THE NOTES – Authorization”), the District has not waived the defense of sovereign immunity with respect thereto. Because it is unclear whether the State legislature has effectively waived the District’s sovereign immunity from a suit for money damages, Noteholders may not be able to bring such a suit against the District for breach of the Notes or Resolution covenants in the absence of District action. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District’s property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Notes. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the United States Bankruptcy Code (“Chapter 9”). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce creditors’ rights 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 Notes are qualified with respect to the customary rights

of debtors relative to their creditors, principles of governmental immunity and by general principles of equity which permit the exercise of judicial discretion.

Initially, the only registered owner of the Notes will be Cede & Co., as DTC's nominee. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the duties of DTC with regard to ownership of the Notes.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Notes is to be transferred and principal of, premium, if any, interest and redemption payments on the Notes are to be paid to and credited by DTC while the Notes 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 Purchaser believe the source of such information to be reliable, but none of the District, the Financial Advisor or the Purchaser takes any responsibility for the accuracy or completeness thereof.

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

DTC will act as securities depository for the Notes. The Notes 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 the Notes, as set forth on page 2 hereof, 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 rating from S&P Global Ratings 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 Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("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 Notes 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 Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes 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 Notes 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 Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any

statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Notes 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 Notes 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 Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Notes 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. Payments on the Notes to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes 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, Note 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, Note 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 Notes 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 Notes, 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 Resolution 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 Purchaser.

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 Notes will be issued to the holders and the Notes will be subject to transfer, exchange and registration provisions as set forth in the Resolution and summarized under "REGISTRATION, TRANSFER AND EXCHANGE" below.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, has been named to serve as initial Paying Agent/Registrar for the Notes. In the Resolution, the District retains the right to replace the Paying Agent/Registrar. If the District replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the District shall be a legally qualified bank, trust company, financial institution or other agency duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Notes. Upon any change in the Paying Agent/Registrar for the Notes, the District agrees

to promptly cause a written notice thereof to be sent to each registered owner of the Notes by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

In the event the Book-Entry-Only System should be discontinued, interest on the Notes will be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date, and such interest will be paid (i) by check sent United States mail, first class, postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Notes at maturity or on a prior redemption date will be paid to the registered owner at the stated maturity or earlier redemption, as applicable, upon presentation and surrender to the designated payment/transfer office of the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Notes, all payments will be made as described under "BOOK-ENTRY-ONLY SYSTEM" herein. If the date for the payment of the principal of or interest on the Notes is a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the principal corporate trust office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment will be the next succeeding day which is not such a day, and payment on such date will have the same force and effect as if made on the date payment was due.

Future Registration

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

Record Date for Interest Payment

The Record Date for determining the person to whom the interest on the Notes is payable 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 nonpayment 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 (which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each registered owner of a Note 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.

Limitation on Transfer of Notes

Neither the District nor the Paying Agent/Registrar shall be required to transfer or exchange any Note called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation on transferability shall not be applicable to an exchange by the registered owner of the unredeemed balance of a Note called for redemption in part.

Replacement Notes

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

LEGAL MATTERS

The delivery of the Notes is subject to the approving legal opinion of the Attorney General of the State of Texas to the effect that the Notes are valid and legally binding obligations of the District payable from proceeds of an annual ad valorem tax levied for maintenance purposes by the District against all taxable property within the District, within the limitations of the District's maintenance tax authority, and upon the approving legal opinion of Norton Rose Fulbright US LLP, Dallas, Texas, Bond Counsel, to the effect that the Notes are valid and legally binding obligations of the District and to the effect that the interest on the Notes will be excludable from gross income for federal income tax purposes under section 103(a) of the Internal Revenue Code of 1986, subject to the matters described under "TAX MATTERS" herein. The form of Bond Counsel's opinion is attached hereto as Appendix C.

Though it represents the Financial Advisor and the purchasers and underwriters of Texas school district bonds from time to time in matters unrelated to the issuance of the Notes, Bond Counsel has been engaged by, and only represents, the District in connection with the issuance of the Notes. Except as noted below, Bond Counsel did not take part in the preparation of the Official Notice of Sale, the Official Bid Form, or the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein except that in its capacity as Bond Counsel, such firm has reviewed the information appearing under the captions, "THE NOTES" (except the fourth paragraph under the subcaption "Notice of Redemption," or the subcaptions "Payment Record" and "Sources and Uses of Funds"), "REGISTRATION, TRANSFER AND EXCHANGE," "LEGAL MATTERS," "TAX MATTERS," "REGISTRATION AND QUALIFICATION OF NOTES FOR SALE," "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS," "CURRENT PUBLIC SCHOOL FINANCE SYSTEM," "TAX RATE LIMITATIONS," "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS" and "CONTINUING DISCLOSURE OF INFORMATION" (except under the subcaption "Compliance with Prior Undertakings") and such firm is of the opinion that the information relating to the Notes and legal matters contained under such captions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Notes, such information conforms to the Resolution. The legal fee to be paid to Bond Counsel for services rendered in connection with the issuance of the Notes is contingent upon the sale and delivery of the Notes.

The various legal opinions to be delivered concurrently with the delivery of the Notes 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

Tax Exemption

The delivery of the Notes is subject to the opinion of Norton Rose Fulbright US LLP, Dallas, Texas, Bond Counsel, to the effect that interest on the Notes for federal income tax purposes (1) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the "Code"), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. A form of Bond Counsel's opinion appears in Appendix C hereto. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

In rendering the foregoing opinions, Bond Counsel will rely upon representations and certifications of the District made in a certificate dated the date of delivery of the Notes pertaining to the use, expenditure, and investment of the proceeds of the Notes and will assume continuing compliance by the District with the provisions of the Resolution subsequent to the issuance of the Notes. The Resolution contains covenants by the District with respect to, among other matters, the use of the proceeds of the Notes and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Notes are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage "profits" from the investment of proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Notes to be includable in the gross income of the owners thereof from the date of the issuance of the Notes.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the District described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations. If an audit of the Notes is commenced, under current procedures the IRS is likely to treat the District as the "taxpayer," and the owners of the Notes would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Notes, the District may have different or conflicting interests from the owners of the Notes. Public awareness of any future audit of the Notes could adversely affect the value and liquidity of the Notes during the pendency of the audit, regardless of its ultimate outcome.

Except as described above, Bond Counsel expresses no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Notes. Prospective purchasers of the Notes should be aware that the ownership of tax-exempt obligations such as the Notes may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust (“FASIT”), and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

For taxable years beginning after 2022, the Code imposes a minimum tax of 15 percent of the adjusted financial statement income of certain large corporations, generally consisting of corporations (other than S corporations, regulated investment companies and real estate investment trusts) with more than \$1 billion in average annual adjusted financial statement income, determined over a three-year period. For this purpose, adjusted financial statement income generally consists of the net income or loss of the taxpayer set forth on the taxpayer’s applicable financial statement for the taxable year, subject to various adjustments, but is not reduced for interest earned on tax-exempt obligations, such as the Notes. Prospective purchasers that could be subject to this minimum tax should consult with their own tax advisors regarding the potential impact of owning the Notes.

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Notes from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Notes. Prospective purchasers of the Notes should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Tax Accounting Treatment of Discount and Premium on Certain Notes

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

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Note by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Note in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Note was held) is includable in gross income.

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

The purchase price of certain Notes (the “Premium Notes”) paid by an owner may be greater than the amount payable on such Notes at maturity. An amount equal to the excess of a purchaser’s tax basis in a Premium Note over the amount payable at maturity constitutes premium to such purchaser. The basis for federal income tax purposes of a Premium Note in the hands of such purchaser must be reduced each year by the amortizable note premium, although no federal income tax deduction is allowed as a result of such

reduction in basis for amortizable note premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Note. The amount of premium that is amortizable each year by a purchaser is determined by using such purchaser's yield to maturity (or, in some cases with respect to a callable Note, the yield based on a call date that results in the lowest yield on the Note).

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

REGISTRATION AND QUALIFICATION OF NOTES FOR SALE

No registration statement relating to the Notes has been filed with the United States Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2). The Notes have not been approved or disapproved by the SEC, nor has the SEC passed upon the accuracy or adequacy of the Official Statement. The Notes have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Notes been registered or qualified under the securities acts of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Notes under the securities laws of any jurisdiction in which the Notes may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Notes 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 Purchaser to register or qualify the sale of the Notes under the securities laws of any jurisdiction which so requires. The District agrees to cooperate, at the Purchaser's written request and sole expense, in registering or qualifying the Notes or in obtaining an exemption from registration or qualification in any state where such action is necessary; provided, however, that the District shall not be required to qualify as a foreign corporation or to execute a general or special consent to service of process in any jurisdiction.

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 "State Legislature") from time to time (i) met the requirements of article VII, section 1 of the Texas Constitution, which requires the State 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 State Legislature enacted multiple laws that made substantive changes in the way the Finance System is funded in efforts to address the prior decisions declaring the Finance System unconstitutional.

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

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

Possible Effects of Changes in Law on District Bonds

The Court's decision in *Morath* upheld the constitutionality of the Finance System but noted that the Finance System was "undeniably imperfect." While not compelled by the *Morath* decision to reform the Finance System, the State Legislature could enact future changes to the Finance System. Any such changes could benefit or be a detriment to the District. If the State 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 State 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 Notes, upon issuance and delivery, will be entitled to the protections afforded previously existing contractual obligations under the Contract Clauses, the District can make no representations or predictions concerning the effect of future legislation, or any litigation that may be associated with such legislation, on the District's financial condition, revenues or operations. While the enactment of future legislation to address school funding in Texas could adversely affect the financial condition, revenues or operations of the District, the District does not anticipate that the security for payment of the Notes, specifically, the District's obligation to levy a limited maintenance and operations tax would be adversely affected by any such legislation (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM").

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

Overview

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

Local 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 levy an M&O tax at a rate for the purpose of creating a surplus in M&O tax revenues to pay debt service on bonds. Prior to 2006, school districts were authorized to levy their M&O tax at a voter-approved rate, generally up to \$1.50 per \$100 of taxable value. Since 2006, the State Legislature has enacted various legislation that has compressed the voter-approved M&O tax rate, as described below. Current law also requires school districts to demonstrate their ability to pay debt service on outstanding bonded indebtedness through the levy of an I&S tax at a rate not to exceed \$0.50 per \$100 of taxable value at the time bonds are issued. Once bonds are issued, however, school districts generally may levy an I&S tax sufficient to pay debt service on such bonds unlimited as to rate or amount (see "TAX RATE LIMITATIONS – I&S Tax Rate Limitations" herein). Because property values vary widely among school districts, the amount of local funding generated by school districts with the same I&S tax rate and M&O tax rate is also subject to wide variation; however, the public school finance funding formulas are designed to generally equalize local funding generated by a school district's M&O tax rate.

2023 Legislative Sessions

The regular session of the 88th Texas Legislature convened on January 10, 2023 and adjourned on May 29, 2023. The State Legislature meets in regular session in odd numbered years for 140 days. During the 88th Regular Session, the State 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 administrative agencies that oversee school districts. Legislation enacted by the State Legislature fully-funded the Foundation School Program for the 2023-2024 State fiscal biennium and increased the State guaranteed yield on the first \$0.08 cents of tax effort beyond a school district's Maximum Compressed Tax Rate (as defined herein) to \$126.21 per penny of tax effort per student in WADA (as defined herein) in 2024 (from \$98.56 in 2023) and \$129.52 per penny of tax effort per student in WADA in 2025 (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts – *Tier Two*"). The State Legislature also provided for an increase in funding for the school safety allotment to \$10.00 (from \$9.72 in the prior year) per ADA (as defined herein) and \$15,000 per campus.

When the State Legislature is not in session, the Governor may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Governor called and the State Legislature concluded four special sessions during the 88th Texas Legislature. During the second called special session, legislation was passed, and at an election held in the State on November 7, 2023, voters approved a State constitutional amendment that (i) reduced the Maximum Compressed Tax Rate for school districts by approximately \$0.107 for the 2023-2024 school year; (ii) increased the amount of the mandatory school district residential homestead exemption from ad valorem taxation from \$40,000 to \$100,000 and to hold districts harmless from certain M&O and I&S tax revenue losses associated with the increase in the mandatory homestead exemption; (iii) adjusted the amount of the limitation on school district ad valorem taxes imposed on the residence homesteads of the elderly or disabled to reflect increases in exemption amounts; (iv) prohibited school districts, cities and counties from repealing or reducing a local option general homestead exemption that was granted in tax year 2022 (the prohibition expires on December 31, 2027); (v) established a three-year pilot program limiting growth in the taxable assessed value of non-residence homestead property valued at \$5,000,000 or less to 20 percent (school districts are not held harmless for any negative revenue impacts associated with such limits); (vi) excepted certain appropriations to pay for ad valorem tax relief from the constitutional limitation on the rate of growth of appropriations; and (vii) expanded the size of the governing body of an appraisal district in a county with a population of more than 75,000 by adding elected directors and authorizing the State Legislature to provide for a four-year term of office for a member of the

board of directors of certain appraisal districts. This legislation reduces the amount of property taxes paid by homeowners and businesses and increases the State's share of the cost of funding public education.

2025 Legislative Sessions

The regular session of the 89th Texas Legislature commenced on January 14, 2025 and adjourned on June 2, 2025 (the "89th Regular Session"). As described above, the Governor may call special sessions when the State Legislature is not in session. During the 89th Regular Session, the State Legislature considered a general appropriations act and legislation affecting the Finance System and ad valorem taxation procedures and exemptions, and investments, among other legislation affecting school districts and the administrative agencies that oversee school districts. Pursuant to voter approval at a statewide election held on November 4, 2025, legislation passed by both houses of the State Legislature and signed by the Governor increased: (1) effective from and after the 2025 tax year, the State mandated general homestead exemption of the appraised value for all homesteads from \$100,000 to \$140,000, (2) effective from and after the 2025 tax year, the additional exemption on the residence homesteads of those at least sixty-five (65) years of age or older and the disabled from \$10,000 to \$60,000, and (3) effective from and after the 2026 tax year, the exemption for tangible personal property used in the "production of income" from \$2,499 to \$125,000. Additionally, both houses of the State Legislature passed and the Governor signed legislation that authorizes roughly \$8.5 billion in funding for public schools and provides districts with a \$55 per-student increase to their base funding beginning September 1, 2025, as well as provide districts with additional funding for teacher and staff salaries, educator preparation, special education, safety requirements and early childhood learning. Finally, legislation passed by the State Legislature and signed into law by the Governor will create an education savings account program ("ESA") (commonly referred to as vouchers) for students that attend private schools or home school. The legislation became effective September 1, 2025, when the state fiscal biennium began, though families will not receive ESA funds until the 2026-2027 school year. The amount spent for purposes of the program for the 2026-2027 biennium may not exceed \$1 billion. The legislation applies beginning with the 2026-2027 school year. Beginning on September 1, 2027, the legislation requires the Legislature to re-appropriate funds for the program for each subsequent State fiscal biennium. Such program could impact attendance in the District by incentivizing students to homeschool or attend private schools, which could negatively affect the District's attendance based funding.

The Governor called for a special session on June 23, 2025, which began on July 21, 2025 and adjourned on August 15, 2025 (the "First Special Session"). The Governor called for a second special session on August 15, 2025, which also began on August 15, 2025 and adjourned on September 4, 2025 (the "Second Special Session"). Items considered during the First Special Session and Second Special Session included "legislation to eliminate the STAAR test and replace it with effective tools to assess student progress and ensure school district accountability" and "legislation reducing the property tax burden on Texans and legislation imposing spending limits on entities authorized to impose property taxes." Additional special sessions may be called by the Governor. During this time, the State Legislature may enact laws that materially change current law as it relates to funding public school, including the District and its finances.

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

Local Funding for School Districts

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

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

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

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. Pursuant to voter approval at a statewide election held on November 4, 2025 (1) the State mandated general homestead exemption under Section 1-b(c), Article VIII, Texas Constitution was increased 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 the disabled under Section 1-b(c), Article VIII, Texas Constitution was increased from \$10,000 to \$60,000. The constitutional amendment took 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 to increase or decrease its Enrichment Tax Rate to supplement Tier One funding at a level of the school district’s own choice. While Tier One funding may be used for the payment of debt service (except for school districts subject to the recapture provisions of Chapter 49 of the Texas Education Code, as 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 a school district with a Tier One Tax Rate equal to the school district’s MCR, is \$6,160 plus the guaranteed yield increment adjustment (the “GYIA”) for each student in ADA and is revised downward for a school district with a Tier One Tax Rate lower than the school district’s MCR. The GYIA is established by October 1 of each even-numbered year for the subsequent biennium. For each year of the 2026-2027 fiscal 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 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 weight is 0.48 for districts in the top 40% of school districts for growth, 0.33 for districts in the middle 30% of school districts for growth and 0.18 for districts in the bottom 30% of school districts for growth. The fast growth allotment is limited to \$320 million for each year of the 2026-2027 State fiscal biennium.

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

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

Existing Debt Allotment, Instructional Facilities Allotment, and New Instructional Facilities Allotment. The Foundation School Program also includes facilities funding components consisting of the IFA and the EDA, subject to legislative appropriation each State fiscal biennium. To the extent funded for a biennium, these programs assist school districts in funding facilities by, generally, equalizing a school district’s I&S tax effort. The IFA guarantees each awarded school district a specified amount per student (the “IFA Yield”) in State and local funds for each cent of I&S tax levied to pay the principal of and interest on eligible bonds issued to construct, acquire, renovate or improve instructional facilities. The IFA Yield has been \$35 since 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 aid. The guaranteed level of State and local funds per student per cent of local tax effort applicable to the bonds may not be reduced below the level provided for the year in which the bonds were issued. For the 2026-2027 State fiscal biennium, the State Legislature did not appropriate any funds for new IFA awards; however, awards previously granted in years the State Legislature did appropriate funds for new IFA awards will continue to be funded.

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

Since future-year IFA awards were not funded by the State Legislature for the 2026-2027 State fiscal biennium and debt service assistance on school district bonds that are not yet eligible for EDA is not available, debt service payments during the 2026-2027 State fiscal biennium on new bonds issued by school districts in the 2026-2027 State fiscal biennium to construct, acquire and improve facilities must be funded solely from local I&S taxes, except to the extent that the bonds of a school district are eligible for hold-harmless funding from the State for local tax revenue lost as a result of an increase in the mandatory homestead exemptions. See “CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 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 State Legislature appropriated funds in the amount of \$150,000,000 for each fiscal year of the 2026-2027 State fiscal biennium for NIFA allotments.

Tax Rate and Funding Equity. The 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 the 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.

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.

CURRENT PUBLIC SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT

For the 2025-2026 fiscal year, the District was designated as an "excess local revenue" district by the TEA. Accordingly, the District is required to exercise one of the wealth equalization options permitted under applicable State law. The District intends to reduce its wealth per student, if needed, pursuant to Option 3, an agreement to purchase attendance credits pursuant to Chapter 49, Texas Education Code, as amended (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Revenue Level in Excess of Entitlement" herein).

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

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

AD VALOREM PROPERTY TAXATION

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

Valuation of Taxable Property

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

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

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

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

An appraisal district is prohibited from increasing the appraised value of real property during the 2026 tax year on non-homestead properties (the “Subjected Property”) whose appraised values are not more than \$5.32 million (the “Maximum Property Value”) to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property (collectively, the “Appraisal Cap”). Unless extended by the State Legislature, the foregoing prohibition expires on December 31, 2026.

State Mandated Homestead Exemptions. State law grants, with respect to each school district in the State, (1) a \$140,000 exemption of the appraised value of all homesteads, (2) a \$60,000 exemption of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled, and (3) various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

See “CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 Legislative Sessions” herein for a discussion of the increase in the general State mandated homestead exemption of the appraised value for all homesteads from \$100,000 to \$140,000 and the increase in the State mandated homestead exemption of persons sixty-five (65) years of age or older and the disabled from \$10,000 to \$60,000.

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

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

State Mandated Freeze on School District Taxes. Except for increases attributable to certain improvements, a school district is prohibited from increasing the total ad valorem tax on the 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.

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. From and after the 2026 tax year, a person is entitled to an exemption from taxation by a taxing unit of \$125,000 of the appraised value of the tangible personal property the person owns that is held or used for the production of income and has taxable situs at the same location in the taxing unit. A person who leases tangible personal property is also entitled to a tax exemption of \$125,000, regardless of where the property is located in the taxing unit.

See “CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 Legislative Sessions” herein for a discussion of the increase, effective January 1, 2026, in the exemption for tangible personal property used in the “production of income” from \$2,499 to \$125,000.

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 taxation.

Temporary Exemption for Qualified Property Damaged by a Disaster. The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the Governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. Except in situations where the territory is declared a disaster on or after the date the taxing unit adopts a tax rate for the year in which the disaster declaration is issued, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the Governor declares the area to be a disaster area. For more information on the exemption, reference is made to Section 11.35 of the Property Tax Code. Section 11.35 of the Property Tax Code was amended to limit the temporary tax exemption to apply to property physically harmed as a result of a declared disaster.

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

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

Tax Limitation Agreements. The Texas Economic Development Act (Chapter 313, Texas Tax Code, as amended) allowed school districts to grant limitations on appraised property values to certain corporations and limited liability companies to encourage economic development within the school district. Generally, during the 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”). During the regular session of the 88th Texas Legislature, House Bill 5, codified as Chapter 403, Subchapter T, Texas Government Code (“Chapter 403T”) was enacted into law. Chapter 403T is intended as a replacement of former Chapter 313, Texas Tax Code (“Chapter 313”), but it contains significantly different provisions than the prior program under Chapter 313. Under Chapter 403T, a school district may offer a 50% abatement on taxable value for M&O property taxes for certain eligible projects, except that projects in a federally designated economic opportunity zone receive a 75% abatement. Chapter 403T also provides a 100% abatement of M&O taxes for eligible property during a project’s construction period. Taxable valuation for purposes of the debt service taxes securing the Notes may be abated under Chapter 403T. Eligible projects must relate to manufacturing, provision of utility services, dispatchable electric generation (such as non-renewable energy), development of natural resources, critical infrastructure, or research and development for high-tech equipment or technology, and projects must create and maintain jobs and meet certain minimum investment requirements.

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.

For a discussion of how the various exemptions described above are applied by the District, see “THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT” herein. For a schedule of the reductions in assessed valuation attributable to the exemptions allowed by the District, see “Appendix A – FINANCIAL INFORMATION REGARDING THE DISTRICT.”

Recent Change in Reappraisal Plan

At its meeting on August 9, 2024, the board of directors of the Tarrant Appraisal District (the “TAD Board”) approved a reappraisal plan to appraise residential values every other year, instead of annually, with appraisals occurring in odd-numbered years beginning in tax year 2027. All other property types will be reappraised annually. The reappraisal plan will hold residential values for the 2025 tax year at 2024 levels, except for new construction and improvements. Additionally, the TAD Board approved a 5% “threshold” to residential market value increases, which would require “clear and convincing evidence” to support an increase higher than 5% to the market value of a residentially coded property over the prior year’s appraisal roll.

District and Taxpayer Remedies

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

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

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

Levy and Collection of Taxes

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and generally become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an attorney’s collection fee of up to twenty percent (20%) if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the District may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

The Property Tax Code permits taxpayers owning homes or certain businesses located in a disaster area and damaged as a direct result of the declared disaster to pay taxes imposed in the year following the disaster in four equal installments without penalty or interest, commencing on February 1 and ending on August 1. See “AD VALOREM PROPERTY TAXATION – Valuation of Taxable Property – *Temporary Exemption for Qualified Property Damaged by a Disaster*” for further information related to a discussion of the applicability of this section of the Property Tax Code.

District’s Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having power to tax the property. The District’s tax lien is on a parity

with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

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

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

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

THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT

The Appraisal District has the responsibility for appraising property in the District as well as other taxing units in Tarrant County. The Appraisal District is governed by a board of directors, certain members of which are appointed by the governing bodies of various political subdivisions that participate in the Appraisal District and certain of which are elected by voters within Tarrant County. The District's taxes are collected by the Tarrant County Tax Assessor-Collector.

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

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

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

The District grants a local option, additional exemption of \$15,000 for persons who are 65 years of age or older and disabled persons above the amount of the State mandated exemption.

The District has not granted a local option, additional exemption of up to 20% of the market value of residence homesteads.

The District does not tax non-business personal property.

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

The District exempts "freeport property" from taxation.

The District has taken action to continue taxing "goods-in-transit."

The District is not currently a participant in any tax increment reinvestment zone.

The District is not currently a party to any tax abatement or tax limitation agreements.

The Board has approved a resolution initiating an additional 20% penalty to defray attorney costs in the collection of delinquent taxes over and above the penalty automatically assessed under the Property Tax Code. Charges for penalties and interest on the unpaid balance of delinquent taxes are as follows:

<u>Date</u>	<u>Cumulative Penalty</u>	<u>Cumulative Interest</u>	<u>Total</u>
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	12	6	18

After July, the penalty remains at 12%, and interest accrues at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid. A delinquent tax continues to accrue interest as long as the tax remains unpaid, regardless of whether a judgment for the delinquent tax has been rendered. The purpose of imposing such penalty is to compensate the taxing unit for revenue lost because of the delinquency. In addition, if an account is delinquent in July, an attorney's collection fee of up to 20% may be added to the total tax penalty and interest charge.

Property within the District is assessed as of January 1 of each year (except business inventories which may be assessed as of September 1 and mineral values which are assessed on the basis of a twelve-month average) and taxes become due October 1 of the same year and become delinquent on February 1 of the following year. Split payments of taxes are permitted. Discounts for the early payment of taxes are not permitted.

TAX RATE LIMITATIONS

M&O Tax Rate Limitations

The District is authorized to levy an M&O tax rate pursuant to the approval of the voters of the District at an election held on April 5, 1975, in accordance with the provisions of Chapter 20, Texas Education Code (now codified at Section 45.003, Texas Education Code, as amended).

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

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

I&S Tax Rate Limitations

A school district is also authorized to issue bonds and levy taxes for payment of bonds subject to voter approval of one or more propositions submitted to the voters under Section 45.003(b)(1), Texas Education Code, as amended, which provides a tax unlimited as to rate or amount for the support of school district bonded indebtedness. The Notes are not voted obligations and are not secured by an unlimited tax levied for bonded indebtedness.

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, as well as hold-harmless funding from the State, which effectively reduces the school district's local share of debt service, and may also take into account Tier One funds allotted to the school district. If a school district exercises this option, it may not adopt an I&S tax until it has credited to the school district's I&S fund an amount equal to all State allotments provided solely for payment of debt service and any Tier One funds needed to demonstrate compliance with the 50-cent Test and which is received or to be received in that year. Additionally, a school district may demonstrate its ability to comply with the 50-cent Test by applying the \$0.50 tax rate to an amount equal to 90% of projected future taxable value of property in the school district, as certified by a registered professional appraiser, anticipated for the earlier of the tax year five (5) years after the current tax year or the tax year in which the final payment for the bonds is due. However, if a school district uses projected future taxable values to meet the 50-cent Test and subsequently imposes a tax at a rate greater than \$0.50 per \$100 of valuation to pay for bonds subject to the 50-cent Test, then for subsequent bond issues, the Texas Attorney General must find that the school district has the projected ability to pay principal and interest on the proposed bonds and all previously issued bonds subject to the 50-cent Test from a tax rate of \$0.45 per \$100 of valuation. Once the prospective ability to pay such tax has been

shown and the bonds are issued, a school district may levy an unlimited tax to pay debt service. 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 Notes will not be secured by an unlimited tax and, therefore, will not be subject to the 50-cent Test.

Public Hearing and Voter-Approval Tax Rate

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

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

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

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

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

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

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

RATINGS

Moody's Investors Service, Inc. ("Moody's") has assigned a municipal bond rating of "Aa3" to the Notes. **The Notes are not guaranteed by the State of Texas Permanent School Fund Guarantee Program** (see "THE NOTES – Security").

S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P"), and Fitch Ratings, Inc. ("Fitch") have previously assigned ratings to certain of the District's outstanding bonds, however, the District has not requested S&P or Fitch assign a rating to the Notes.

An explanation of the significance of any rating may be obtained from the company furnishing the rating. The rating reflects only the view of such organization and the District makes no representation as to the appropriateness of the rating. There is no assurance that any rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by the rating company, if in the judgment of such company, circumstances so warrant. Due to the ongoing political uncertainty regarding the United States of America debt limit, obligations issued by state and local governments in the United States, such as the Notes, could be subject to a rating downgrade. Additionally, if a significant default or other financial crisis should occur in the affairs of the United States of America or of any of its agencies or political subdivisions, then such event could also adversely affect the ratings of, market for, and market value of outstanding debt obligations, including the Notes. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Notes. 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 INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Under the Texas Public Security Procedures Act (Texas Government Code, Chapter 1201, as amended), the Notes 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. The Notes 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 the State which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Notes 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 Notes 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 Notes for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Notes for such purposes. The District has made no review of laws in other states to determine whether the Notes are legal investments for various institutions in those states.

INVESTMENT AUTHORITY AND INVESTMENT OBJECTIVES OF THE DISTRICT

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

Legal Investments

Under State law and subject to certain limitations, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations issued and secured by a federal agency or instrumentality of the United States; (4) other obligations unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies and instrumentalities; (5) "A" or better rated obligations of states, agencies, counties, cities, and other political subdivisions of any state; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) federally insured interest-bearing bank deposits, brokered pools of such deposits, and collateralized certificates of deposit and share certificates; (8) fully collateralized United States government securities repurchase agreements; (9) one-year or shorter securities lending agreements secured by obligations described in clauses (1) through (7) above or (11) through (14) below or an irrevocable letter of credit issued by an "A" or better rated state or national bank; (10) 270-day or shorter bankers' acceptances, if the short-term obligations of the accepting bank or its holding company are rated at least "A-1" or "P-1"; (11) commercial paper rated at least "A-1" or "P-1"; (12) SEC-registered no-load money market mutual funds that are subject to

SEC Rule 2a-7; (13) SEC-registered no-load mutual funds that have an average weighted maturity of less than two years; (14) “AAA” or “AAA-”-rated investment pools that invest solely in investments described above; and (15) in the case of bond proceeds, guaranteed investment contracts that are secured by obligations described in clauses (1) through (7) above and, except for debt service funds and reserves, have a term of 5 years or less.

The District may not, however, invest in (1) interest only obligations, or non-interest bearing principal obligations, stripped from mortgage-backed securities; (2) collateralized mortgage obligations that have a remaining term that exceeds 10 years; and (3) collateralized mortgage obligations that bear interest at an index rate that adjusts opposite to the changes in a market index. In addition, the District may not invest more than 15% of its monthly average fund balance (excluding bond proceeds and debt service funds and reserves) in mutual funds described in clause (13) above or make an investment in any mutual fund that exceeds 10% of the fund’s total assets.

Except as stated above or inconsistent with its investment policy, the District may invest in obligations of any duration without regard to their credit rating, if any. If an obligation ceases to qualify as an eligible investment after it has been purchased, the District is not required to liquidate the investment unless it no longer carries a required rating, in which case the District is required to take prudent measures to liquidate the investment that are consistent with its investment policy.

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

Investment Policies

Under State law, the District is required to adopt and annually review written investment policies and must invest its funds in accordance with its policies. The policies must identify eligible investments and address investment diversification, yield, maturity, and the quality and capability of investment management. For investments whose eligibility is rating dependent, the policies must adopt procedures to monitor ratings and liquidate investments if and when required. The policies must require that all investment transactions settle on a delivery versus payment basis. The District is required to adopt a written investment strategy for each fund group to achieve investment objectives in the following order of priority: (1) suitability, (2) preservation and safety of principal, (3) liquidity, (4) marketability, (5) diversification, and (6) yield.

State law requires the District’s investments be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived.” The District is required to perform an annual audit of the management controls on investments and compliance with its investment policies and provide regular training for its investment officers.

Current Investments

As of September 30, 2025 (unaudited), the District’s investable funds were invested in the following investment instruments:

<u>Investment Instrument</u>	<u>Book Value</u>	<u>Percentage</u>
Lone Star Investment Pool (“Lone Star”) ^(A)	\$ 337,595,463.12	62.95%
Texas Local Investment Pool (“TexPool”) ^(A)	83,106,969.57	15.50%
State and Local Government Series Securities	82,786,898.76	15.44%
Texas Range Investment Program (“Texas Range”) ^(A)	29,010,055.54	5.41%
Frost Bank Money Market Account	2,117,239.69	0.39%
PFM Asset Management LLC Managed Account	1,686,449.55	0.31%
Total	<u>\$ 536,303,076.23</u>	<u>100.00%</u>

^(A) Lone Star, TexPool and Texas Range operate pursuant to Chapter 2256 of the Texas Government Code, as amended. Lone Star, TexPool and Texas Range operate as a money market equivalent, in a manner consistent with the SEC’s Rule 2a-7 under the Investment Company Act of 1940. No funds of the District are invested in derivative securities, i.e. securities whose rate of return is determined by reference to some other instrument, index or commodity.

EMPLOYEES' BENEFIT PLANS

The District's employees participate in a retirement plan (the "Plan") with the State. 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 fiscal year ended August 31, 2025 the State contributed \$9,506,394 to TRS on behalf of the District, District employees paid \$15,128,732 and other contributions into the Plan made from federal and private grants and the District for salaries above the statutory minimum were \$7,693,953. For more detailed information concerning the Plan, TRS's net pension liability with respect thereto and the District's proportionate share of such net pension liability, see Note 11 to the District's audited financial statements 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 (the "TRS-Care Retired Plan"), a cost-sharing multiple-employer defined benefit post-employment health care plan. The TRS-Care Retired Plan 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 State Legislature. For more detailed information concerning the District's funding policy and contributions in connection with the TRS-Care Retired Plan, see Note 12 to the District's audited financial statements attached hereto as Appendix D.

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

CONTINUING DISCLOSURE OF INFORMATION

In the Resolution, the District has made the following agreement for the benefit of the holders and beneficial owners of the Notes. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Notes. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the MSRB.

Annual Reports

The District will provide certain updated financial information and operating data annually to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement in Tables 1 through 21 in "Appendix A – FINANCIAL INFORMATION REGARDING THE DISTRICT" and in Appendix D, which is the District's annual audited financial report. The District will update and provide the annual financial information appearing in the numbered tables described in the preceding sentence within six months after the end of each fiscal year ending in and after 2026 and, if not submitted as part of the annual financial information, the District will provide its annual audited financial report within 12 months after the end of each fiscal year. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the District will file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Any such 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 fiscal year end for the 2024-2025 fiscal year is August 31. Accordingly, for the 2024-2025 fiscal year, the District must provide updated information included in the above-referenced tables by February 28, 2026, and the audited financial statements (or unaudited financial statements if the audited financial statements are not yet available) must be provided by August 31, 2026. On March 31, 2025, the Board authorized changing the District's fiscal year end from August 31 to June 30, beginning with fiscal year 2025-2026, and a notice of the change was filed on EMMA on April 7, 2025. Accordingly, beginning with the 2025-2026 fiscal year, the District must provide updated information included in the above-referenced tables by the last day of December in each year, and the audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available) must be provided by June 30 in each year, unless the District changes its fiscal year again in the future. If the District changes its fiscal year again in the future, it will file notice of the change (and of the date of the new fiscal year end) with the MSRB prior to the next date by which the District otherwise would be required to provide financial information and operating data as set forth above.

All financial information, operating data, financial statements and notices required to be provided to the MSRB shall be provided in an electronic format and be accompanied by identifying information prescribed by the MSRB. Financial information and operating data to be provided as set forth above may be set forth in full in one or more documents or may be included by specific reference to

any document (including an official statement or other offering document) available to the public on the MSRB's Internet Web site or filed with the SEC, as permitted by Rule 15c2-12.

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 Notes 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 Notes, or other material events affecting the tax status of the Notes; (7) modifications to rights of holders of the Notes, if material; (8) Note calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Notes, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a Financial Obligation (hereinafter defined) of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties. In addition, the District will provide timely notice of any failure by the District to provide annual financial information or operating data in accordance with its agreement described above under "Annual Reports." Neither the Notes nor the Resolution provide for debt service reserves, liquidity enhancement, or credit enhancement.

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, and (b) the District intends the words used in clauses (15) and (16) in the immediately preceding paragraph and the definition of Financial Obligation below to have the same meanings as when they are used in Rule 15c2-12, as evidenced by SEC Release No. 34-83885, dated August 20, 2018. As used in this section, the term "Financial Obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of (i) or (ii); provided however, that a "financial obligation" shall not include municipal securities as to which a final official statement (as defined in Rule 15c2-12) has been provided to the MSRB consistent with Rule 15c2-12.

Availability of Information from MSRB

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 Notes 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 Notes 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 Notes in the offering made hereby 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 registered owners of a majority in aggregate principal amount (or any greater amount required by any other provisions of the Resolution that authorizes such amendment) of the outstanding Notes 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 Notes. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions 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 Notes in the primary offering of the Notes. 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.

Compliance with Prior Undertakings

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

EFFECTS OF SEQUESTRATION ON CERTAIN OBLIGATIONS

Pursuant to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, certain automatic reductions in federal spending took effect as of March 1, 2013. These required reductions in federal spending include a reduction to refundable credits under section 6431 of the Internal Revenue Code (the “Code”) applicable to certain qualified bonds. The sequester reduction is applied to amounts claimed by an issuer of such qualified bonds which result in a payment to such issuer on or after March 1, 2013. Under the Budget Control Act of 2011, the Federal Subsidies in 2013 were reduced by 8.7%. The Bipartisan Budget Act of 2013, signed by the President on December 26, 2013, extended cuts in those payments to issuers due to sequester of federal expenditures. According to the Bipartisan Budget Act of 2013, sequester for the above interest subsidy payments and other mandatory programs will continue for fiscal years 2014 through 2031. The sequester reduction percentage applied to the payments made to issuers of direct pay bonds in fiscal year 2025 is 5.7%. This percentage applies to all direct credit subsidy payments scheduled to be made on or after October 1, 2020 through and on and before September 30, 2031. The sequestration reduction rate will be applied unless and until a law is enacted that cancels or otherwise impacts the sequester, at which time the sequestration reduction rate is subject to change.

These reductions apply to Build America Bonds, Qualified School Construction Bonds, Qualified Zone Academy Bonds, New Clean Renewable Energy Bonds, and Qualified Energy Conservation Bonds for which an issuer elected to receive a direct credit subsidy pursuant to section 6431 of the Code.

The District has previously issued its Unlimited Tax Qualified School Construction Bonds, Taxable Series 2010A (Direct Subsidy) (the “Affected Bonds”). It is anticipated that federal payments to the District for such Affected Bonds will be reduced as described above. Pursuant to the order authorizing the issuance of the Affected Bonds, the District is required to make interest and principal payments on the Affected Bonds regardless of whether any federal funding is received. If the sequestration continues, the District may be required to increase ad valorem tax rates in order to pay additional debt service expenses on the Affected Bonds resulting from decreased federal funding. The District can make no prediction as to the length or long-term effects of the sequestration.

WEATHER EVENTS

If a future weather event significantly damages 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 revenue and/or necessitate an increase in the District’s tax rate. Under certain conditions, State law allows school districts to increase property tax rates without voter approval upon the occurrence of certain disasters such as a tornado, flooding or extreme drought and upon 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 carry flood or the appropriate, applicable 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 repay 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.

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 condition or operations of the District.

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

FINANCIAL ADVISOR

BOK Financial Securities, Inc. is employed as Financial Advisor to the District in connection with the issuance of the Notes. The Financial Advisor's fee for services rendered with respect to the sale of the Notes is contingent upon the issuance and delivery of the Notes. In the normal course of business, the Financial Advisor may also from time to time sell investment securities to the District for the investment of debt proceeds or other funds of the District, upon the request of the District.

BOK Financial Securities, Inc., in its capacity as Financial Advisor, has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Notes, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, 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.

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.

INITIAL PURCHASER

After requesting competitive bids for the Notes, the District accepted the bid of _____ (the "Purchaser") to purchase the Notes at the interest rates shown on page 2 of the Official Statement at a price of \$ _____. The District can give no assurance that any trading market will be developed for the Notes after their sale by the District to the Purchaser. The District has no control over the prices at which the Notes are subsequently sold and the initial yields at which the Notes will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Initial Notes, the initial Purchaser will be furnished a certificate, executed by one or more proper officials of the District, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the District contained in its Official Statement, and any addenda, supplement or

amendment thereto, for the Notes, on the date of such Official Statement, on the date of sale of said Notes and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect; (c) insofar as the descriptions and statements including financial data, of or pertaining to entities, other than the District, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the District believes to be reliable and the District has no reason to believe that they are untrue in any material respect; (d) there has been no material adverse change in the financial condition of the District, since August 31, 2025, the date of the last financial statements of the District appearing in the Official Statement; and (e) except as disclosed in the Official Statement, no litigation of any nature has been filed or is then pending challenging the issuance of the Notes or that affects the payment and security of the Notes or in any other manner questioning the issuance, sale or delivery of the Notes.

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

MISCELLANEOUS

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, Rule 15c2-12.

In the Note Resolution, the Board authorized the Pricing Officer to approve, for and on behalf of the District, (i) the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and (ii) the Purchaser's use of this Official Statement in connection with the public offering and the sale of the Notes in accordance with the provisions of Rule 15c2-12.

Pricing Officer
Eagle Mountain-Saginaw Independent School District

APPENDIX A

FINANCIAL INFORMATION REGARDING THE DISTRICT

FINANCIAL INFORMATION REGARDING THE DISTRICT

Table 1
ASSESSED VALUATION ^(A)

2025/26 Total Assessed Valuation.....	\$ 23,836,696,992
2025/26 Taxable Assessed Valuation.....	\$ 16,130,481,581 ^(B)
Exemptions	Total
Residential Homestead.....	\$ 4,086,615,871
10% Residential Homestead Cap.....	214,629,329
20% Non-Homestead Property Cap.....	80,416,187
Over Age 65.....	447,836,445
Disabled Persons.....	39,139,064
Disabled/Deceased Veterans.....	375,441,852
Foreign Trade Zone.....	975,359,595
Freeport.....	1,232,182,193
Misc. Personal Property (Vehicles, etc.).....	67,428,052
Pollution Control.....	1,122,215
Productivity Loss.....	174,661,035
Prorated Exempt Property.....	7,317,750
Scenic Deferrals.....	2,108,336
Other.....	1,957,487
Total (32.33% of Total Assessed Valuation).....	<u>\$ 7,706,215,411</u>

^(A) Source: Tarrant Appraisal District. Certified values are subject to change throughout the year as contested values are resolved and the Tarrant Appraisal District updates its records.

^(B) Such valuation includes an increase in the State-mandated general residence homestead exemption from \$100,000 to \$140,000 and an increase in the State-mandated residence homestead exemption for persons 65 years of age or older and the disabled from \$10,000 to \$60,000 pursuant to constitutional amendments approved at a statewide election held on November 4, 2025.

Table 2
TAX DEBT OUTSTANDING ^(A)

Unlimited Tax Obligations: ^(B)

Unlimited Tax Debt Outstanding (As of February 15, 2026).....	\$ 1,382,370,000 ^(C)
Less: Interest & Sinking Fund Balance (As of August 31, 2025).....	<u>33,056,647</u>
NET UNLIMITED TAX DEBT OUTSTANDING.....	<u>\$ 1,349,313,353 ^(C)</u>

Limited Tax Obligations: ^(D)

Limited Tax Obligations Outstanding (As of February 15, 2026).....	\$ -
Plus: The Notes (Dated: February 15, 2026).....	<u>19,300,000 ^(E)</u>
NET LIMITED TAX DEBT OUTSTANDING.....	<u>\$ 19,300,000</u>

^(A) See discussion under "TAX RATE LIMITATIONS" in the Official Statement.

^(B) Does not include any limited tax obligations payable from the District's Maintenance & Operations tax rate (see "Table 15 - Maintenance Tax Notes", "Table 17 - Leases" and "Table 18 - Subscription Based IT Arrangements").

^(C) Excludes interest accreted on outstanding capital appreciation bonds.

^(D) Limited tax obligations are payable from the District's Maintenance & Operations tax rate (see "Table 15 - Maintenance Tax Notes"). Does not include other limited tax obligations payable from the District's Maintenance & Operations tax rate (see "Table 17 - Leases" and "Table 18 - Subscription Based IT Arrangements").

^(E) Preliminary, subject to change.

2025 Population Estimate	130,304	Per Capita Total Assessed Valuation	\$ 182,931
2025/26 Enrollment	24,168	Per Capita Taxable Assessed Valuation	\$ 123,791
Area (square miles)	74.13	Per Capita Total Unlimited Tax Debt	\$ 10,609

Table 3
ESTIMATED GENERAL OBLIGATION OVERLAPPING DEBT STATEMENT

<u>Taxing Body</u>	<u>Gross Dollar Amount</u> ^(A)	<u>As Of</u>	<u>Percent Overlap</u>	<u>Dollar Overlap</u>
Blue Mound, City of	\$ 6,010,000	02/15/26	100.00%	\$ 6,010,000
Fort Worth, City of	1,117,960,000	02/15/26	11.16%	124,764,336
Lake Worth, City of	30,240,000	02/15/26	0.86%	260,064
Saginaw, City of	96,890,000	02/15/26	99.99%	96,880,311
Tarrant County	314,050,000	02/15/26	5.75%	18,057,875
Tarrant County College District	547,535,000	02/15/26	5.75%	31,483,263
Tarrant County Hospital District	429,425,000	02/15/26	5.75%	24,691,938
Tarrant Regional Water District	98,710,000	02/15/26	11.85%	11,697,135
Eagle Mountain-Saginaw ISD	\$ 1,382,370,000 ^(B)	02/15/26	100.00%	\$ 1,382,370,000 ^(B)
Total Direct and Overlapping Debt.....				<u><u>\$ 1,696,214,922</u></u>
Ratio of Direct Debt to Taxable Assessed Valuation.....				8.57%
Ratio of Direct and Overlapping Debt to Taxable Assessed Valuation.....				10.52%
Ratio of Direct and Overlapping Debt to Total Assessed Valuation.....				7.12%
Per Capita Direct and Overlapping Debt.....				\$13,017

^(A) Excludes interest accreted on outstanding capital appreciation bonds.

^(B) Does not include any limited tax obligations payable from the District's Maintenance & Operations tax rate (see "Table 15 - Maintenance Tax Notes", "Table 17 - Leases" and "Table 18 - Subscription Based IT Arrangements").

Source: The Municipal Advisory Council of Texas - Texas Municipal Reports.

Table 4
2025/26 TAX RATES OF OVERLAPPING POLITICAL ENTITIES

Blue Mound, City of.....	\$0.813800
Fort Worth, City of.....	0.670000
Lake Worth, City of.....	0.494737
Saginaw, City of.....	0.529649
Tarrant County.....	0.186200
Tarrant County College District.....	0.112280
Tarrant County Hospital District.....	0.165000
Tarrant Regional Water District.....	0.026500

Source: Tarrant Appraisal District.

Table 5
PROPERTY TAX RATES AND COLLECTIONS

Tax Year	Taxable Assessed Valuation	Tax Rate	Percent Collections ^(A)		Fiscal Year Ended
			Current	Total	
2020	\$ 11,635,980,510	\$1.4964	99.46%	99.57%	8-31-21
2021	12,723,289,879	1.4575	99.59%	100.36%	8-31-22
2022	14,593,502,089	1.4346	99.77%	100.36%	8-31-23
2023	15,813,757,001	1.2472	99.82%	100.13%	8-31-24
2024	16,930,510,384	1.2457	<u>99.65%</u>	<u>99.74%</u>	8-31-25
	Five Year Average.....		<u>99.66%</u>	<u>100.03%</u>	
2025	\$ 16,130,481,581	\$1.2457	(In Process of Collection)		6-30-26

^(A) Excludes penalties and interest.

Source: District's Audited Financial Statements and Tarrant Appraisal District. Certified values are subject to change throughout the year as contested values are resolved and the Tarrant Appraisal District updates records.

Table 6
TAX RATE DISTRIBUTION ^(A)

	<u>2025/26</u>	<u>2024/25</u>	<u>2023/24</u>	<u>2022/23</u>	<u>2021/22</u>
Local Maintenance ^(B)	\$0.7469	\$0.7469	\$0.7492	\$0.9346	\$0.9575
Interest & Sinking	<u>0.4988</u>	<u>0.4988</u>	<u>0.4980</u>	<u>0.5000</u>	<u>0.5000</u>
Total	<u>\$1.2457</u>	<u>\$1.2457</u>	<u>\$1.2472</u>	<u>\$1.4346</u>	<u>\$1.4575</u>

^(A) See discussion under "TAX RATE LIMITATIONS" in the Official Statement.

^(B) The District's Maintenance & Operations tax rate is subject to annual compression in response to year-over-year increases in property values (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - Local Funding for School Districts" in the Official Statement).

Source: District's Audited Financial Statements and District records.

Table 7
VALUATION AND UNLIMITED TAX DEBT HISTORY

Fiscal Year	Taxable Assessed Valuation	Percent Increase/ (Decrease) In Taxable Assessed Valuation Over Prior Year	Principal Amount Of Unlimited Tax Debt Outstanding At Year End ^{(A)(B)}	Ratio Of Unlimited Tax Debt To Taxable Assessed Valuation ^{(A)(B)}
2021/22	\$ 12,723,289,879	9.34%	\$ 1,083,317,504	8.51%
2022/23	14,593,502,089	14.70%	1,055,840,000	7.24%
2023/24	15,813,757,001	8.36%	1,162,925,000	7.35%
2024/25	16,930,510,384	7.06%	1,393,345,000	8.23%
2025/26	16,130,481,581 ^(C)	(4.73%)	1,382,370,000 ^(D)	8.57% ^(D)

^(A) Does not include any limited tax obligations payable from the District's Maintenance & Operations tax rate (see "Table 15 - Maintenance Tax Notes", "Table 17 - Leases" and "Table 18 - Subscription Based IT Arrangements").

^(B) Excludes the interest accreted on outstanding capital appreciation bonds.

^(C) Such valuation includes an increase in the State-mandated general residence homestead exemption from \$100,000 to \$140,000 and an increase in the State-mandated residence homestead exemption for persons 65 years of age or older and the disabled from \$10,000 to \$60,000 pursuant to constitutional amendments approved at a statewide election held on November 4, 2025.

^(D) Projected, as of June 30, 2026, subject to change.

Source: District records and Tarrant Appraisal District.

Table 8
HISTORICAL TOP TEN TAXPAYERS

PRINCIPAL TAXPAYERS AND THEIR 2025/26 TAXABLE ASSESSED VALUATIONS

<u>Name of Taxpayer</u>	<u>Type of Property</u>	<u>Taxable Assessed Valuation</u>	<u>Percent Of T.A.V.</u>
Oncor Electric Delivery Co. LLC	Utility	\$ 163,408,384	1.01%
Amazon.com Services LLC	Fulfillment Center	143,451,872	0.89%
Crossroads Indiana LLC	Distribution Center	138,423,150	0.86%
TTI, Inc.	Distribution Center	135,200,197	0.84%
BN Leasing Corp. / BNSF Railway Company	Railroad / Corporate Offices	122,468,869	0.76%
Carvana Group LLC	Car Dealership	107,232,610	0.66%
Saddle Creek Corporation	Distribution Center	101,663,462	0.63%
Williamson-Dickie Mfg. Co. LLC	Textile Manufacturing	94,308,984	0.58%
Mercantile Partners LP	Commercial Real Estate	93,853,611	0.58%
Design LLC	Commercial Real Estate	86,531,236	0.54%
Totals.....		<u>\$ 1,186,542,375</u>	<u>7.36%</u>

PRINCIPAL TAXPAYERS AND THEIR 2024/25 TAXABLE ASSESSED VALUATIONS

<u>Name of Taxpayer</u>	<u>Type of Property</u>	<u>Taxable Assessed Valuation</u>	<u>Percent Of T.A.V.</u>
Oncor Electric Delivery Co. LLC	Utility	\$ 237,476,684	1.40%
Amazon.com Services LLC	Fulfillment Center	157,619,313	0.93%
BN Leasing Corp. / BNSF Railway Company	Railroad / Corporate Offices	121,915,257	0.72%
TTI, Inc.	Distribution Center	104,367,002	0.62%
Crossroads Indiana LLC	Distribution Center	101,140,626	0.60%
Carvana Group LLC	Car Dealership	77,753,068	0.46%
Mercantile Partners LP	Commercial Real Estate	77,244,137	0.46%
North Riverside TX Partners II LLC	Apartments	75,678,958	0.45%
Yamasa Co. Ltd.	Residential Rental Homes	72,800,000	0.43%
MDC Coastal 16 LLC	Distribution Center	68,000,000	0.40%
Totals.....		<u>\$ 1,093,995,045</u>	<u>6.46%</u>

PRINCIPAL TAXPAYERS AND THEIR 2023/24 TAXABLE ASSESSED VALUATIONS

<u>Name of Taxpayer</u>	<u>Type of Property</u>	<u>Taxable Assessed Valuation</u>	<u>Percent Of T.A.V.</u>
Amazon.com Services LLC	Fulfillment Center	\$ 184,089,729	1.16%
Oncor Electric Delivery Co. LLC	Utility	161,716,605	1.02%
Fossil Creek Development Partners, LLC	Apartments	127,287,881	0.80%
BKV North Texas LLC / BKV Midstream LLC	Oil & Gas	127,196,060	0.80%
BN Leasing Corp. / BNSF Railway Company	Railroad / Corporate Offices	121,915,984	0.77%
Carvana Group LLC	Car Dealership	101,656,546	0.64%
Crossroads Indiana LLC	Distribution Center	96,243,342	0.61%
TTI, Inc.	Distribution Center	91,064,161	0.58%
Yamasa Co. Ltd.	Residential Rental Homes	79,800,000	0.50%
Mercantile Partners LP	Commercial Real Estate	74,986,352	0.47%
Totals.....		<u>\$ 1,165,956,660</u>	<u>7.37%</u>

Source: Tarrant Appraisal District and District records.

Table 9
CLASSIFICATION OF ASSESSED VALUATION BY USE CATEGORY

<u>Property Use Category</u>	<u>2025/26</u>	<u>2024/25</u>	<u>2023/24</u>	<u>2022/23</u>	<u>2021/22</u>
Real Property:					
Single-Family Residential	\$ 14,367,937,039	\$ 14,350,192,190	\$ 14,107,801,266	\$ 11,115,918,450	\$ 9,090,649,603
Multi-Family Residential	932,489,999	876,831,329	856,748,886	697,602,925	561,616,501
Vacant Lots/Tracts	220,444,656	230,860,671	209,018,393	223,932,741	188,397,899
Acreage (Land Only)	174,979,463	182,695,228	181,930,097	171,384,825	186,395,783
Farm and Ranch Improvements	17,398,609	19,911,968	18,806,197	17,480,989	15,678,909
Commercial and Industrial	3,139,780,617	2,605,423,168	2,484,279,506	2,302,627,507	2,119,247,096
Minerals, Oil and Gas	31,451,120	34,420,730	227,347,282	94,532,800	49,565,050
Inventory	223,767,836	231,397,448	274,946,888	184,005,837	127,137,406
Tangible Personal Property:					
Business	4,329,321,084	4,588,722,120	4,253,838,965	3,436,396,343	2,641,187,217
Other	1,161,547	1,195,570	1,198,818	1,277,101	1,258,185
Real and Tangible Personal Property:					
Utilities	397,965,022	530,044,562	419,311,659	405,449,089	382,466,484
Total Assessed Valuation	\$ 23,836,696,992	\$ 23,651,694,984	\$ 23,035,227,957	\$ 18,650,608,607	\$ 15,363,600,133
Less Exemptions:					
Residential Homestead	\$ 4,086,615,871 ^(A)	\$ 2,761,638,116	\$ 2,600,139,848 ^(B)	\$ 1,010,759,197 ^(C)	\$ 605,208,064
10% Residential Homestead Cap	214,629,329	644,357,485	1,568,005,488	660,900,920	141,600,865
20% Non-Homestead Property Cap ^(D)	80,416,187	43,573,570	-	-	-
Over Age 65	447,836,445 ^(E)	145,025,557	137,920,726	134,362,463	126,897,981
Disabled Persons	39,139,064 ^(E)	13,043,610	13,270,280	13,701,554	13,488,570
Disabled/Deceased Veterans	375,441,852	351,909,859	270,261,351	240,529,725	194,067,165
Foreign Trade Zone	975,359,595	762,520,904	948,117,054	621,519,528	540,602,654
Freeport	1,232,182,193	1,732,335,006	1,370,731,138	1,132,157,169	756,231,710
Misc. Personal Property (Vehicles, etc.)	67,428,052	74,397,979	126,724,573	66,726,953	70,433,912
Pollution Control	1,122,215	1,934,650	2,043,345	1,510,813	1,372,244
Productivity Loss	174,661,035	180,620,052	179,203,539	169,667,114	182,327,063
Prorated Exempt Property	7,317,750	3,169,223	90,893	20,203	3,388,450
Scenic Deferrals	2,108,336	2,108,336	-	2,108,336	2,108,336
Other	1,957,487	4,550,253	4,962,721	3,142,543	2,583,240
Total Exemptions	\$ 7,706,215,411	\$ 6,721,184,600	\$ 7,221,470,956	\$ 4,057,106,518	\$ 2,640,310,254
Taxable Assessed Valuation ^(D)	\$ 16,130,481,581	\$ 16,930,510,384	\$ 15,813,757,001	\$ 14,593,502,089	\$ 12,723,289,879

^(A) Increase in "Residential Homestead" is primarily due to the increase in the State-mandated general residence homestead exemption from \$100,000 to \$140,000 pursuant to a constitutional amendment approved at a statewide election held on November 4, 2025.

^(B) Increase in "Residential Homestead" is primarily due to the increase in the State-mandated general residence homestead exemption from \$40,000 to \$100,000 pursuant to a constitutional amendment approved at a statewide election held on November 7, 2023.

^(C) Increase in "Residential Homestead" is primarily due to the increase in the State-mandated general residence homestead exemption from \$25,000 to \$40,000 pursuant to a constitutional amendment approved at a statewide election held on May 7, 2022.

^(D) Three-year pilot program limiting growth in taxable value of non-residence homestead property valued at \$5,000,000 or less to 20% annually pursuant to a constitutional amendment approved at a statewide election held on November 7, 2023.

^(E) Increase in "Over 65" and "Disabled Persons" is primarily due to the increase in the State-mandated residence homestead exemption for persons 65 years of age or older and the disabled from \$10,000 to \$60,000 pursuant to a constitutional amendment approved at a statewide election held on November 4, 2025.

Source: Tarrant Appraisal District. Certified values are subject to change throughout the year as contested values are resolved and the Tarrant Appraisal District updates its records.

Table 10
PERCENTAGE OF TOTAL ASSESSED VALUATION BY CATEGORY

<u>Property Use Category</u>	<u>2025/26</u>	<u>2024/25</u>	<u>2023/24</u>	<u>2022/23</u>	<u>2021/22</u>
Real Property:					
Single-Family Residential	60.28%	60.67%	61.24%	59.60%	59.17%
Multi-Family Residential	3.91%	3.71%	3.72%	3.74%	3.66%
Vacant Lots/Tracts	0.92%	0.98%	0.91%	1.20%	1.23%
Acreage (Land Only)	0.73%	0.77%	0.79%	0.92%	1.21%
Farm and Ranch Improvements	0.07%	0.08%	0.08%	0.09%	0.10%
Commercial and Industrial	13.17%	11.02%	10.78%	12.35%	13.79%
Minerals, Oil and Gas	0.13%	0.15%	0.99%	0.51%	0.32%
Inventory	0.94%	0.98%	1.19%	0.99%	0.83%
Tangible Personal Property:					
Business	18.16%	19.40%	18.47%	18.43%	17.19%
Other	0.00%	0.01%	0.01%	0.01%	0.01%
Real and Tangible Personal Property:					
Utilities	1.67%	2.24%	1.82%	2.17%	2.49%
Total	100.00%	100.00%	100.00%	100.00%	100.00%

Source: Tarrant Appraisal District.

Table 11
OUTSTANDING UNLIMITED TAX DEBT SERVICE

Year ^(A)	Principal	Sinking Fund Requirements On OSCBs ^(B)	Interest ^(C)	Total Debt Service Requirements ^{(C)(D)}	Percent Of Principal Retired
2025/26	\$ 34,195,000.00	\$ 1,500,000.00	\$ 56,732,511.74	\$ 92,427,511.74	
2026/27	47,425,000.00	(10,945,000.00)	56,828,782.92	93,308,782.92	
2027/28	39,430,000.00	-	54,958,501.06	94,388,501.06	
2028/29	41,370,000.00	-	53,017,832.32	94,387,832.32	
2029/30	43,290,000.00	-	51,098,382.32	94,388,382.32	14.88%
2030/31	45,270,000.00	-	49,113,844.92	94,383,844.92	
2031/32	47,175,000.00	-	47,209,789.62	94,384,789.62	
2032/33	49,185,000.00	-	45,204,227.36	94,389,227.36	
2033/34	41,710,000.00	-	43,009,470.86	84,719,470.86	
2034/35	43,620,000.00	-	41,097,915.16	84,717,915.16	31.30%
2035/36	45,570,000.00	-	39,145,384.46	84,715,384.46	
2036/37	47,560,000.00	-	37,155,675.46	84,715,675.46	
2037/38	50,490,000.00	-	35,119,441.20	85,609,441.20	
2038/39	52,540,000.00	-	33,071,474.70	85,611,474.70	
2039/40	54,640,000.00	-	30,968,792.66	85,608,792.66	49.44%
2040/41	49,185,000.00	-	28,711,881.52	77,896,881.52	
2041/42	51,260,000.00	-	26,637,852.42	77,897,852.42	
2042/43	53,310,000.00	-	24,546,814.46	77,856,814.46	
2043/44	55,500,000.00	-	22,360,189.46	77,860,189.46	
2044/45	57,755,000.00	-	20,104,814.46	77,859,814.46	68.76%
2045/46	60,030,000.00	-	17,822,039.46	77,852,039.46	
2046/47	62,480,000.00	-	15,370,675.50	77,850,675.50	
2047/48	64,945,000.00	-	12,908,075.16	77,853,075.16	
2048/49	51,590,000.00	-	10,341,538.40	61,931,538.40	
2049/50	49,580,000.00	-	8,296,198.20	57,876,198.20	89.64%
2050/51	42,995,000.00	-	6,352,400.00	49,347,400.00	
2051/52	33,205,000.00	-	4,679,300.00	37,884,300.00	
2052/53	24,000,000.00	-	3,196,000.00	27,196,000.00	
2053/54	25,110,000.00	-	2,073,150.00	27,183,150.00	
2054/55	17,955,000.00	-	897,750.00	18,852,750.00	100.00%
TOTAL	<u>\$ 1,382,370,000.00</u>	<u>\$ (9,445,000.00)</u>	<u>\$ 878,030,705.80</u>	<u>\$ 2,250,955,705.80</u>	

^(A) The District's fiscal year ends on June 30. Due to the timing of tax collection receipts, the District budgets for its debt service payments incurred during the time period of September 1 through August 31.

^(B) The District is obligated to make mandatory deposits into a Cumulative Sinking Fund Deposit Account on August 15 for the Unlimited Tax Qualified School Construction Bonds, Taxable Series 2010A (Direct Subsidy) (the "Series 2010A Bonds"). All amounts held in the Cumulative Sinking Fund Deposit Account will be used to pay the Series 2010A Bonds on the maturity date of August 15, 2027 or the date of prior redemption thereof. As of August 31, 2025, the required balance of the Cumulative Sinking Fund Deposit Account is \$9,445,000.

^(C) Interest on the District's Variable Rate Unlimited Tax School Building Bonds, Series 2011 (the "Series 2011 Bonds") is calculated at a 4.00% coupon through July 31, 2027 and an assumed 5.00% coupon thereafter.

^(D) Does not include the federal subsidy of the interest payments anticipated to be received on the District's outstanding Series 2010A Bonds.

Note: Table 11 does not include any potential funding the District may receive from the State of Texas. The District has budgeted for the receipt of State financial assistance in the amount of \$12,034,311 for debt service in year 2025/26 and received State financial assistance in the amount of \$8,592,932 for fiscal year ended August 31, 2025. The amount of State 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. Table 11 does not include any limited tax obligations payable from the District's Maintenance & Operations tax rate (see "Table 15 - Maintenance Tax Notes", "Table 17 - Leases" and "Table 18 - Subscription Based IT Arrangements").

Table 12
INTEREST & SINKING FUND BUDGET INFORMATION ^(A)

Tax Supported Debt Service Requirements, Fiscal Year Ending June 30, 2026.....		\$	90,981,423 ^(B)
Interest and Sinking Fund Balance as of August 31, 2025.....	\$	33,056,647	
Estimated Federal Subsidies.....		561,315 ^(C)	
Estimated State Assistance.....		12,034,311	
Local Taxes and Other Revenues.....		<u>78,386,107</u>	<u>\$ 124,038,380</u>
Projected Interest and Sinking Fund Balance at June 30, 2026.....			<u>\$ 33,056,958 ^(D)</u>

^(A) The District's fiscal year ends on June 30. Due to the timing of tax collection receipts, the District budgets for its debt service payments incurred during the time period of September 1 through August 31.

^(B) Reflects the District's debt service payments in August 2025 and in February 2026. Includes estimated paying agent/registrar fees and other bond related expenses.

^(C) Reflects estimated subsidy anticipated to be received on the District's Series 2010A Bonds (see "EFFECTS OF SEQUESTRATION ON CERTAIN OBLIGATIONS").

^(D) The District's projected Interest & Sinking Fund balance as of June 30, 2026 will be reduced by approximately \$65,628,523 in August 2026 to make the District's scheduled debt service payments in August 2026.

Table 13
AUTHORIZED BUT UNISSUED BONDS

The District has \$136,100,000 of authorized but unissued bonds remaining from an election held within the District on November 7, 2023 (i.e., \$123,900,000 from Proposition A and \$12,200,000 from Proposition B). Except for possible refundings for debt service savings, the District does not anticipate the issuance of additional unlimited tax bonds within the next 12 months.

In addition to unlimited tax bonds, the District may incur other financial obligations payable from its collection of taxes and other sources of revenue, including maintenance tax notes payable from its collection of maintenance taxes, public property finance contractual obligations, delinquent tax notes, and leases for various purposes payable from State appropriations and surplus maintenance taxes.

Table 14
TAX ADEQUACY - UNLIMITED TAX DEBT SERVICE REQUIREMENTS ^(A)

Year 2025/26 Principal And Interest Requirements.....	\$	92,427,512
\$0.5750 Tax Rate At 99.66% Collections Produces.....	\$	92,434,918 ^(B)
Maximum Principal And Interest Requirements, Year 2032/33.....	\$	94,389,227
\$0.5872 Tax Rate At 99.66% Collections Produces.....	\$	94,396,146 ^(B)

^(A) Represents debt service payments from September 1 through August 31.

^(B) Based upon 2025/26 taxable assessed valuation of \$16,130,481,581.

Note: Table 14 does not include any potential funding the District may receive from the State of Texas. The District has budgeted for the receipt of State financial assistance in the amount of \$12,034,311 for debt service in year 2025/26 and received State financial assistance in the amount of \$8,592,932 for fiscal year ended August 31, 2025. The amount of State 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 State Legislature (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM"). Table 14 does not include any limited tax obligations payable from the District's Maintenance & Operations tax rate (see "Table 15 - Maintenance Tax Notes", "Table 17 - Leases" and "Table 18 - Subscription Based IT Arrangements"). Table 14 also does not include estimated federal subsidy payments on the Series 2010A Bonds (see "EFFECTS OF SEQUESTRATION ON CERTAIN OBLIGATIONS").

Table 15
MAINTENANCE TAX NOTES ^{(A)(B)}

<u>Year</u>	<u>Outstanding Debt Requirements</u>		<u>Plus: The Notes - Debt Requirements</u> ^(C)		<u>Total</u>	<u>Percent</u> <u>Of Principal</u> <u>Retired</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u> <u>Requirements</u>	
2025/26	\$ -	\$ -	\$ -	\$ -	\$ -	
2026/27	-	-	1,775,000.00	1,156,779.03	2,931,779.03	
2027/28	-	-	2,185,000.00	745,800.00	2,930,800.00	
2028/29	-	-	2,295,000.00	636,550.00	2,931,550.00	
2029/30	-	-	2,410,000.00	521,800.00	2,931,800.00	44.90%
2030/31	-	-	2,505,000.00	425,400.00	2,930,400.00	
2031/32	-	-	2,605,000.00	325,200.00	2,930,200.00	
2032/33	-	-	2,710,000.00	221,000.00	2,931,000.00	
2033/34	-	-	2,815,000.00	112,600.00	2,927,600.00	100.00%
TOTAL	\$ -	\$ -	\$ 19,300,000.00	\$ 4,145,129.03	\$ 23,445,129.03	

^(A) Preliminary, subject to change.

^(B) Payable from the District's Maintenance & Operations tax rate. Does not include other limited tax obligations payable from the District's Maintenance & Operations tax rate (see "Table 17 - Leases" and "Table 18 - Subscription Based IT Arrangements").

^(C) Interest on the Notes has been projected at an assumed interest rate for illustration purposes only. Preliminary, subject to change.

Table 16
TAX ADEQUACY - LIMITED TAX DEBT SERVICE REQUIREMENTS ^{(A)(B)}

Year 2026/27 Principal And Interest Requirements.....	\$ 2,931,779	
\$0.0183 Tax Rate At 99.66% Collections Produces.....	\$ 2,941,842	^(C)
Maximum Principal And Interest Requirements, Year 2029/30.....	\$ 2,931,800	
\$0.0183 Tax Rate At 99.66% Collections Produces.....	\$ 2,941,842	^(C)

^(A) Payable from the District's Maintenance & Operations tax rate. Does not include other limited tax obligations payable from the District's Maintenance & Operations tax rate (see "Table 17 - Leases" and "Table 18 - Subscription Based IT Arrangements").

^(B) Represents debt service payments from September 1 through August 31.

^(C) Based upon 2025/26 taxable assessed valuation of \$16,130,481,581.

Table 17
LEASES

During the year ended August 31, 2022, the District adopted GASB Statement No. 87 - Leases. This statement increased the usefulness of the District's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

The District has entered into long-term agreements for the right-to-use copy machines and other technology equipment. No impairment related to losses was recognized by the District. The lease assets are amortized over the life of the agreements.

The District measured the lease liability at the present value of the original unpaid lease payments, discounted using the District's incremental borrowing rate, which has ranged from 2.50% to 4.50%. A summary of the lease activity for the fiscal year ended August 31, 2025, is as shown below:

	Balance <u>8/31/2024</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>8/31/2025</u>
Right-to-Use Asset	\$ 13,001,261	\$ 1,592,205	\$ -	\$ 14,593,466
Less Accumulated Amortization	<u>(9,534,424)</u>	<u>(2,001,120)</u>	<u>-</u>	<u>(11,535,544)</u>
Total Right-to-Use Asset, Net	<u>\$ 3,466,837</u>	<u>\$ (408,915)</u>	<u>\$ -</u>	<u>\$ 3,057,922</u>

	Balance <u>8/31/2024</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>8/31/2025</u>
Lease Liability	\$ 3,546,474	\$ 1,592,205	\$ (1,995,253)	\$ 3,143,426
Total Lease Liability	<u>\$ 3,546,474</u>	<u>\$ 1,592,205</u>	<u>\$ (1,995,253)</u>	<u>\$ 3,143,426</u>

Future payment requirements under the leases as of August 31, 2025, are as follows:

<u>Year Ended</u> <u>(August 31)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 1,490,746	\$ 98,424	\$ 1,589,170
2027	1,244,642	48,604	1,293,246
2028	408,038	6,565	414,603
Thereafter	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 3,143,426</u>	<u>\$ 153,593</u>	<u>\$ 3,297,019</u>

Source: District's Audited Financial Statements and District records.

Table 18
SUBSCRIPTION BASED IT ARRANGEMENTS

During the year ended August 31, 2023, the District adopted GASB Statement No. 96 - Subscription-Based Information Technology Arrangements (SBITAs). This statement increased the usefulness of the District's financial statements by requiring recognition of certain lease assets and liabilities for SBITAs that previously were classified as operating licenses or subscriptions and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

The District has entered into long-term agreements for the right-to-use various technology licenses and subscriptions. No impairment related to losses was recognized by the District. The SBITA assets are amortized over the life of the agreements.

The District measured the subscription liability at the present value of the original unpaid subscription payments, discounted using the District's incremental borrowing rate of 4.50%. A summary of the SBITA activity for the fiscal year ended August 31, 2025, is as shown below:

	<u>Balance</u> <u>8/31/2024</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>8/31/2025</u>
Right-to-Use Asset	\$ 6,023,054	\$ 1,419,266	\$ -	\$ 7,442,320
Less Accumulated Amortization	<u>(2,578,216)</u>	<u>(1,254,426)</u>	<u>-</u>	<u>(3,832,642)</u>
Total Right-to-Use Asset, Net	<u>\$ 3,444,838</u>	<u>\$ 164,840</u>	<u>\$ -</u>	<u>\$ 3,609,678</u>

	<u>Balance</u> <u>8/31/2024</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>8/31/2025</u>
SBITA Liability	\$ 3,456,377	\$ 1,419,266	\$ (1,195,932)	\$ 3,679,711
Total SBITA Liability	<u>\$ 3,456,377</u>	<u>\$ 1,419,266</u>	<u>\$ (1,195,932)</u>	<u>\$ 3,679,711</u>

Future payment requirements under SBITAs as of August 31, 2025, are as follows:

<u>Year Ended</u> <u>(August 31)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 1,040,068	\$ 120,539	\$ 1,160,607
2027	985,646	97,867	1,083,513
2028	604,922	61,723	666,645
2029	322,023	39,834	361,857
2030	235,900	27,783	263,683
Thereafter	<u>491,152</u>	<u>24,162</u>	<u>515,314</u>
Totals	<u>\$ 3,679,711</u>	<u>\$ 371,908</u>	<u>\$ 4,051,619</u>

Source: District's Audited Financial Statements and District records.

Table 19
COMBINED GENERAL FUND BALANCE SHEET

	Fiscal Years Ending August 31, 2021 - 2025				
	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Assets:					
Cash and Cash Equivalents	\$ 89,991,188	\$ 78,545,663	\$ 74,698,138	\$ 65,871,041	\$ 60,883,955
Property Taxes - Delinquent	1,557,094	1,270,771	1,487,197	2,016,089	2,552,461
Allowance for Uncollected Taxes (Credit)	(77,855)	(63,539)	(74,360)	(76,897)	(127,623)
Due from Other Governments	7,962,062	7,979,322	5,252,696	8,773,406	10,123,538
Due from Other Funds	3,767,420	7,433,238	12,270,600	7,712,231	2,398,996
Other Receivables	990,722	301,812	286,907	493,698	1,281,438
Inventories	69,260	75,042	117,385	153,056	143,930
Prepayments	3,903,949	4,162,574	3,999,290	5,254,153	4,186,731
Total Assets	<u>\$ 108,163,840</u>	<u>\$ 99,704,883</u>	<u>\$ 98,037,853</u>	<u>\$ 90,196,777</u>	<u>\$ 81,443,426</u>
Liabilities, Deferred Inflows of Resources and Fund Balances:					
<i>Liabilities:</i>					
Accounts Payable	\$ 1,650,281	\$ 1,401,935	\$ 3,069,610	\$ 1,938,656	\$ 3,280,643
Payroll Deductions and Withholdings Payable	2,475,936	2,390,339	2,150,500	1,923,655	1,858,656
Accrued Wages Payable	16,581,638	16,302,478	15,626,884	12,929,719	12,080,517
Due to Other Funds	-	-	2,005,562	70,042	387,935
Due to Other Governments	50,516	17,971	36,579	34,602	19,498
Unearned Revenues	-	86,190	139,110	-	-
Total Liabilities	<u>\$ 20,758,371</u>	<u>\$ 20,198,913</u>	<u>\$ 23,028,245</u>	<u>\$ 16,896,674</u>	<u>\$ 17,627,249</u>
<i>Deferred Inflows of Resources:</i>					
Unavailable Revenue - Property Taxes	\$ 1,637,211	\$ 1,665,002	\$ 1,773,804	\$ 1,725,041	\$ 2,396,349
Total Deferred Inflows of Resources	<u>\$ 1,637,211</u>	<u>\$ 1,665,002</u>	<u>\$ 1,773,804</u>	<u>\$ 1,725,041</u>	<u>\$ 2,396,349</u>
<i>Fund Balances:</i>					
Nonspendable Fund Balance:					
Inventories	\$ 69,260	\$ 75,042	\$ 117,385	\$ 153,056	\$ 143,930
Prepaid Items	3,903,949	4,162,574	3,999,290	5,254,153	4,186,731
Committed Fund Balance:					
Construction	-	-	-	-	3,000,000
Other Committed Fund Balance	-	-	7,967,436	5,786,925	-
Assigned Fund Balance:					
Projected Budget Deficit	15,956,772	15,730,057	-	1,000,000	-
Unassigned Fund Balance:	65,838,277	57,873,295	61,151,693	59,380,928	54,089,167
Total General Fund Balances	<u>\$ 85,768,258</u>	<u>\$ 77,840,968</u>	<u>\$ 73,235,804</u>	<u>\$ 71,575,062</u>	<u>\$ 61,419,828</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 108,163,840</u>	<u>\$ 99,704,883</u>	<u>\$ 98,037,853</u>	<u>\$ 90,196,777</u>	<u>\$ 81,443,426</u>

Source: District's Audited Financial Statements and District records.

Table 20
COMPARATIVE STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES

	Fiscal Years Ending August 31, 2021 - 2025				
	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Beginning General Fund Balance	<u>\$ 77,840,968</u>	<u>\$ 73,235,804</u>	<u>\$ 71,575,062</u>	<u>\$ 61,419,828</u>	<u>\$ 54,496,854</u>
Revenues:					
Local and Intermediate Sources	\$ 122,717,629	\$ 115,551,001	\$ 136,643,984	\$ 119,367,302	\$ 118,747,267
State Program Revenues	129,234,885	131,813,346	91,236,465	93,250,413	87,797,906
Federal Program Revenues	2,018,568	4,164,121	6,443,994	10,203,574	6,196,930
Total Revenues	<u>\$ 253,971,082</u>	<u>\$ 251,528,468</u>	<u>\$ 234,324,443</u>	<u>\$ 222,821,289</u>	<u>\$ 212,742,103</u>
Expenditures:					
Instruction	\$ 144,116,158	\$ 136,424,993	\$ 133,540,866	\$ 122,682,761	\$ 122,261,912
Instructional Resources and Media Services	2,779,425	2,801,939	2,806,373	2,580,438	2,463,042
Curriculum and Instructional Staff Development	3,071,170	3,677,256	3,788,404	3,730,334	3,502,661
Instructional Leadership	2,357,075	2,725,391	2,717,460	2,741,584	2,403,513
School Leadership	15,583,827	14,629,752	13,706,534	13,135,250	12,520,875
Guidance, Counseling, and Evaluation Services	11,420,673	11,161,237	9,378,325	8,748,179	8,605,455
Social Work Services	499,470	493,862	555,445	544,775	448,087
Health Services	3,006,849	3,023,928	2,753,251	2,553,419	2,486,480
Student (Pupil) Transportation	8,061,320	8,298,988	7,765,443	6,934,921	6,398,219
Food Services	462,012	538,209	693,614	128,985	128,828
Extracurricular Activities	11,150,390	9,582,010	9,641,382	9,020,022	7,732,889
General Administration	8,325,751	8,663,302	8,700,060	7,802,925	7,197,277
Facilities Maintenance and Operations	34,014,137	31,151,407	27,261,663	25,276,891	22,163,564
Security and Monitoring Services	5,074,828	5,712,507	3,696,741	2,532,446	2,175,363
Data Processing Services	3,771,789	3,571,783	3,357,228	3,608,715	3,139,707
Community Services	88,774	87,605	71,032	59,221	55,748
Debt Service	3,086,066	4,631,838	5,253,080	2,650,059	1,559,687
Contracted Instructional Services Between Schools	295,868	20,483	-	6,153	-
Payments for Shared Service Arrangements	113,676	144,209	169,807	141,991	123,094
Payments to Juvenile Justice Alternative Ed. Prg.	12,126	2,838	-	387	4,902
Other Intergovernmental Charges	1,025,654	887,497	963,639	823,201	787,484
Total Expenditures	<u>\$ 258,317,038</u>	<u>\$ 248,231,034</u>	<u>\$ 236,820,347</u>	<u>\$ 215,702,657</u>	<u>\$ 206,158,787</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (4,345,956)</u>	<u>\$ 3,297,434</u>	<u>\$ (2,495,904)</u>	<u>\$ 7,118,632</u>	<u>\$ 6,583,316</u>
Other Resources and (Uses):					
Other Resources	\$ 2,319,833	\$ 1,419,381	\$ 4,199,535	\$ 3,067,944	\$ 30,315
Other Uses	-	(16,122)	-	-	(20,000)
Total Other Resources (Uses)	<u>\$ 2,319,833</u>	<u>\$ 1,403,259</u>	<u>\$ 4,199,535</u>	<u>\$ 3,067,944</u>	<u>\$ 10,315</u>
Special/Extraordinary Items	<u>\$ 9,953,413</u> ^(B)	<u>\$ (95,529)</u>	<u>\$ (42,889)</u>	<u>\$ (31,342)</u>	<u>\$ 329,343</u>
Net Change in General Fund Balance	<u>\$ 7,927,290</u>	<u>\$ 4,605,164</u>	<u>\$ 1,660,742</u>	<u>\$ 10,155,234</u>	<u>\$ 6,922,974</u>
Ending General Fund Balance ^(A)	<u>\$ 85,768,258</u>	<u>\$ 77,840,968</u>	<u>\$ 73,235,804</u>	<u>\$ 71,575,062</u>	<u>\$ 61,419,828</u>

^(A) Ending General Fund Balance includes Nonspendable, Committed, Assigned and Unassigned Fund Balance.

^(B) Includes insurance proceeds and subsequent repair costs of \$736,830 related to substantial vandalism that occurred at an elementary school during a period of renovations and a receipt of \$10,118,725 from the Department of the Treasury for various energy rebates related to the construction of the District's newest high school.

Source: District's Audited Financial Statements and District records.

Table 21
CHANGE IN NET POSITION ^(A)

	Fiscal Years Ending August 31, 2021 - 2025				
	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Revenues:					
Program Revenues					
Charges for Services	\$ 9,591,606	\$ 9,789,773	\$ 12,934,147	\$ 21,198,171	\$ 13,126,662
Operating Grants and Contributions	47,851,015	50,102,151	43,219,717	38,116,273	33,491,196
Capital Grants and Contributions	10,118,725	-	-	-	-
Total Program Revenues	\$ 67,561,346	\$ 59,891,924	\$ 56,153,864	\$ 59,314,444	\$ 46,617,858
General Revenues					
Maintenance and Operations Taxes	\$ 116,483,724	\$ 109,142,745	\$ 131,661,035	\$ 117,547,979	\$ 118,284,320
Debt Service Taxes	77,865,178	72,759,008	70,379,324	61,294,711	50,760,638
State Aid - Formula Grants	114,286,146	117,795,172	78,450,814	81,832,278	76,520,246
Investment Earnings	15,577,947	16,786,602	19,010,438	1,132,008	230,711
Miscellaneous Local and Intermediate Revenue	764,674	350,230	672,737	1,092,187	378,317
Loss on Disposition of Capital Assets	(5,037,702)	-	-	-	-
Total General Revenues	\$ 319,939,967	\$ 316,833,757	\$ 300,174,348	\$ 262,899,163	\$ 246,174,232
Total Revenues.....	<u>\$ 387,501,313</u>	<u>\$ 376,725,681</u>	<u>\$ 356,328,212</u>	<u>\$ 322,213,607</u>	<u>\$ 292,792,090</u>
Expenses					
Instruction	\$ 169,230,031	\$ 168,151,018	\$ 160,969,773	\$ 145,060,249	\$ 151,955,008
Instructional Resources and Media Services	3,250,625	3,320,128	3,283,318	2,914,255	2,815,720
Curriculum and Instructional Staff Development	4,423,524	4,870,705	4,833,919	4,679,302	4,463,449
Instructional Leadership	2,715,033	3,174,405	3,091,992	2,996,808	2,765,460
School Leadership	17,607,021	16,829,231	15,450,725	14,517,806	14,485,398
Guidance, Counseling, and Evaluation Services	13,903,033	13,736,695	12,656,148	10,467,387	10,799,262
Social Work Services	508,034	507,998	559,496	542,422	467,702
Health Services	3,438,160	3,510,286	3,136,936	2,872,922	2,867,064
Student (Pupil) Transportation	8,061,320	8,049,346	7,765,443	6,934,921	6,398,219
Food Services	15,709,626	14,007,570	12,657,426	11,865,139	9,097,423
Extracurricular Activities	11,847,187	10,841,217	10,392,238	9,593,613	8,565,139
General Administration	9,207,198	9,677,614	9,080,865	8,321,251	7,997,910
Facilities Maintenance and Operations	36,629,764	32,930,192	28,024,779	25,343,525	23,170,078
Security and Monitoring Services	6,594,064	6,427,218	4,179,718	2,938,184	2,592,690
Data Processing Services	4,030,163	3,216,039	3,337,188	3,730,896	3,395,085
Community Services	304,483	324,141	261,930	212,110	246,863
Debt Service - Interest on Long Term Debt	45,345,974	37,809,296	37,774,441	31,347,176	32,531,706
Debt Service - Bond Issuance Costs and Fees	2,039,743	1,386,563	43,150	1,476,827	2,308,227
Contracted Instructional Services Between Schools	295,868	20,483	-	6,153	-
Payments Related to Shared Services Arrangements	113,676	144,209	169,807	141,991	123,094
Payments to Juvenile Justice Alternative Ed. Prg.	12,126	2,838	-	387	4,902
Other Intergovernmental Charges	1,025,654	887,497	963,639	823,201	787,484
Business-Type Activities	1,177,415	1,091,583	955,836	853,640	832,726
Total Expenses.....	<u>\$ 357,469,722</u>	<u>\$ 340,916,272</u>	<u>\$ 319,588,767</u>	<u>\$ 287,640,165</u>	<u>\$ 288,670,609</u>
Increase/(Decrease) in Net Position	\$ 30,031,591	\$ 35,809,409	\$ 36,739,445	\$ 34,573,442	\$ 4,121,481
Beginning Net Position	18,549,152	(19,248,994)	(56,097,605)	(90,622,427)	(94,743,908)
Prior Period Adjustment	(1,443,024) ^(B)	1,988,737 ^(C)	109,166 ^(D)	(48,620) ^(E)	-
Ending Net Position.....	<u>\$ 47,137,719</u>	<u>\$ 18,549,152</u>	<u>\$ (19,248,994)</u>	<u>\$ (56,097,605)</u>	<u>\$ (90,622,427)</u>

^(A) Financial operations for all governmental activities in accordance with GASB Statement Number 34.

^(B) Prior Period Adjustment due to the adoption of GASB Statement Number 101 by the District.

^(C) Prior Period Adjustment due to the adoption of GASB Implementation Guide Number 2021-1 by the District.

^(D) Prior Period Adjustment due to the adoption of GASB Statement Number 96 by the District.

^(E) Prior Period Adjustment due to the adoption of GASB Statement Number 87 by the District.

Source: District's Audited Financial Statements.

APPENDIX B

**GENERAL INFORMATION REGARDING
THE DISTRICT AND ITS ECONOMY**

GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY

Eagle Mountain-Saginaw Independent School District (the “District”) is located approximately seven miles from the center of the City of Fort Worth, in the northwest/central portion of Tarrant County. The northern portion of Fort Worth lies within the boundaries of the District. The District also includes the cities of Saginaw and Blue Mound.

The District is governed by a seven-member Board of Trustees (the “Board”). Board members serve three-year staggered terms with at large elections being held every year. Board policy and decisions are decided by a majority vote of the Board. The Superintendent of Schools is selected by the Board; other District officials are employed as a result of action by the Superintendent and the Board.

The District owns and operates 31 instructional facilities which are fully accredited by the Texas Education Agency. The number and types of instructional facilities are as follows:

Alternative Programs and Special Education Facilities	3
Elementary Schools	18
Middle Schools	6
High Schools	<u>4</u>
Total	<u>31</u>

DISTRICT ENROLLMENT INFORMATION

SCHOLASTIC ENROLLMENT HISTORY

<u>YEAR</u>	<u>ENROLLMENT</u>	<u>INCREASE/ (DECREASE)</u>	<u>PERCENT CHANGE</u>
2015/16	19,203	544	2.92%
2016/17	19,653	450	2.34%
2017/18	19,317	(336) ^(B)	(1.71%) ^(B)
2018/19	20,054	737	3.82%
2019/20	21,024	970	4.84%
2020/21	21,245	221	1.05%
2021/22	22,464	1,219	5.74%
2022/23	23,196	732	3.26%
2023/24	23,462	266	1.15%
2024/25	23,982	786	3.39%
2025/26 ^(A)	24,168	706	3.01%

^(A) Enrollment as of October 28, 2025.

^(B) The first public charter school within the boundaries of the District opened for the 2017/18 school year. As a result, the District saw a decline in the District’s student enrollment as compared to the 2016/17 school year. See “ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES” under “MANAGEMENT’S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED AUGUST 31, 2025 (UNAUDITED)” in the District’s audited financial statements attached as Appendix D to the Official Statement for a discussion on charter schools and the District.

Source: District records.

PROJECTED STUDENT ENROLLMENT

<u>YEAR</u>	<u>ENROLLMENT</u>	<u>INCREASE/ (DECREASE)</u>	<u>PERCENT CHANGE</u>
2026/27	24,432	264	1.09%
2027/28	24,607	175	0.72%
2028/29	24,894	287	1.17%
2029/30	25,135	241	0.97%
2030/31	25,414	279	1.11%

Source: District projections.

STUDENT ENROLLMENT BY GRADES – YEARS 2015/16 – 2025/26

<u>YEAR</u>	<u>EE/PK</u>	<u>K</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>	<u>11</u>	<u>12</u>	<u>TOTAL</u>
2015/16	461	1,291	1,359	1,533	1,552	1,451	1,463	1,427	1,531	1,499	1,512	1,533	1,384	1,207	19,203
2016/17	456	1,326	1,363	1,404	1,590	1,583	1,510	1,512	1,472	1,554	1,595	1,506	1,488	1,294	19,653
2017/18	524	1,255	1,340	1,328	1,389	1,518	1,535	1,466	1,489	1,467	1,620	1,578	1,417	1,391	19,317
2018/19	523	1,357	1,396	1,400	1,398	1,498	1,639	1,645	1,597	1,546	1,621	1,632	1,491	1,311	20,054
2019/20	510	1,413	1,465	1,464	1,454	1,490	1,601	1,742	1,776	1,671	1,777	1,655	1,591	1,415	21,024
2020/21	459	1,358	1,462	1,522	1,497	1,493	1,566	1,637	1,809	1,778	1,817	1,749	1,619	1,479	21,245
2021/22	667	1,508	1,549	1,592	1,625	1,567	1,594	1,691	1,754	1,868	2,094	1,830	1,660	1,465	22,464
2022/23	746	1,468	1,644	1,637	1,681	1,707	1,616	1,709	1,763	1,830	2,167	1,959	1,696	1,573	23,196
2023/24	809	1,438	1,580	1,655	1,697	1,725	1,768	1,721	1,744	1,807	2,067	2,054	1,809	1,588	23,462
2024/25	820	1,538	1,538	1,641	1,730	1,762	1,766	1,807	1,809	1,837	2,116	1,999	1,915	1,704	23,982
2025/26 ^(A)	872	1,526	1,579	1,562	1,665	1,735	1,831	1,844	1,832	1,874	2,084	2,017	1,853	1,894	24,168

^(A) Enrollment as of October 28, 2025.

Source: District records.

STUDENT ENROLLMENT BY SCHOOL TYPE

<u>YEAR</u>	<u>ELEMENTARY SCHOOL (GRADES EE/PK-5)</u>	<u>MIDDLE SCHOOL (GRADES 6-8)</u>	<u>HIGH SCHOOL (GRADES 9-12)</u>	<u>TOTAL ENROLLMENT</u>
2015/16	9,110	4,457	5,636	19,203
2016/17	9,232	4,538	5,883	19,653
2017/18	8,889	4,422	6,006	19,317
2018/19	9,211	4,788	6,055	20,054
2019/20	9,397	5,189	6,438	21,024
2020/21	9,357	5,224	6,664	21,245
2021/22	10,102	5,313	7,049	22,464
2022/23	10,499	5,302	7,395	23,196
2023/24	10,672	5,272	7,518	23,462
2024/25	10,795	5,453	7,734	23,982
2025/26 ^(A)	10,770	5,550	7,848	24,168

^(A) Enrollment as of October 28, 2025.

Source: District records.

EMPLOYMENT OF THE DISTRICT

<u>STAFF INFORMATION</u>	<u>DISTRICT EMPLOYEES</u>	
	<u>NUMBER</u>	<u>PERCENTAGE</u>
Teachers	1,630	46.82%
Administrators	183	5.26%
Teacher Aides & Secretaries	680	19.53%
Auxiliary Staff	671	19.28%
Other Professional Support	317	9.11%
Total Number of Employees	<u>3,481</u>	<u>100.00%</u>

The District employs a staff of approximately 3,481. Beginning with the 2025/26 school year, entry level teachers without advanced degrees earn \$63,800 annually. Teachers with longevity or advanced degrees can earn between \$65,300 and \$89,162 annually. All teachers receive life and health insurance benefits worth approximately \$387 monthly.

Source: District records.

PRESENT SCHOOL FACILITIES

<u>LOCATION</u>	<u>GRADES SERVED</u>	<u>FUNCTIONAL CAPACITY^(A)</u>	<u>PRESENT ENROLLMENT^(B)</u>	<u>FUNCTIONAL CAPACITY LESS PRESENT ENROLLMENT</u>
Boswell High School	9 – 12	2,500	2,399	101
Chisholm Trail High School	9 – 12	2,500	2,164	336
Eagle Mountain High School	9 – 12	2,500	1,299	1,201
Saginaw High School	9 – 12	<u>2,500</u>	<u>1,849</u>	<u>651</u>
HIGH SCHOOL TOTAL		<u>10,000</u>	<u>7,711</u>	<u>2,289</u>
Creekview Middle School	6 – 8	1,078	985	93
Ed Willkie Middle School	6 – 8	1,002	770	232
Highland Middle School	6 – 8	1,050	658	392
Marine Creek Middle School	6 – 8	1,200	910	290
Prairie Vista Middle School	6 – 8	1,002	1,017	(15)
Wayside Middle School	6 – 8	<u>1,200</u>	<u>1,189</u>	<u>11</u>
MIDDLE SCHOOL TOTAL		<u>6,532</u>	<u>5,529</u>	<u>1,003</u>
Bryson Elementary School	K – 5	736	642	94
Chisholm Ridge Elementary School	K – 5	803	640	163
Comanche Springs Elementary School	K – 5	781	605	176
Copper Creek Elementary School	K – 5	803	674	129
Dozier Elementary School	K – 5	803	650	153
Eagle Mountain Elementary School	K – 5	758	641	117
Elkins Elementary School	K – 5	736	680	56
Gililand Elementary School	K – 5	691	465	226
Greenfield Elementary School	K – 5	803	589	214
Hatley Elementary School	K – 5	803	603	200
High Country Elementary School	K – 5	758	516	242
Lake County Elementary School	K – 5	803	635	168
Lake Pointe Elementary School	K – 5	781	669	112
Northbrook Elementary School	K – 5	781	493	288
Parkview Elementary School	K – 5	781	545	236
Remington Point Elementary School	K – 5	758	462	296
Saginaw Elementary School	K – 5	558	352	206
Willow Creek Elementary School	K – 5	<u>870</u>	<u>628</u>	<u>242</u>
ELEMENTARY SCHOOL TOTAL		<u>13,807</u>	<u>10,489</u>	<u>3,318</u>
Hafley Development Center	EE / PK	374	278	96
Watson High School / Alternative Discipline Center / JJAEP	7 – 12	---	161	(161)
Hollenstein Career and Technology Center	9 – 12	---	--- ^(C)	---
OTHER PROGRAMS TOTAL		<u>374</u>	<u>439</u>	<u>(65)</u>
TOTALS		<u>30,713</u>	<u>24,168</u>	<u>6,545</u>

^(A) Includes student capacity of any portable buildings on this campus.

^(B) Enrollment as of October 28, 2025.

^(C) Enrollment is included within each student's home high school campus.

Source: District records.

THE CITY OF SAGINAW AND TARRANT COUNTY

Location

The city of Saginaw, Texas (the “City”) is located nine miles north of downtown Fort Worth and 37 miles west of Dallas. The community is located at the intersection of Interstate Loop 820 and Highway 287 and is less than a mile from Interstate 35W. The Dallas/Fort Worth International Airport is 20 miles east of Saginaw and Fort Worth Meacham International Airport is approximately three miles away. The 2020 Census for the City was 23,890, representing a 20.6% increase from 2010.

Tarrant County (2020 census of 2,110,640 increasing 16.7% over 2010) is a north Texas county, and a component of the Dallas-Fort Worth Metropolitan Statistical Area. The county seat and largest city is Fort Worth. Other primary cities include Arlington, Richland Hills, North Richland Hills, Bedford, Euless, Grapevine, Hurst, Haltom City, Mansfield and Southlake.

Economy

The economy of Tarrant County is based on manufacturing and commerce. Major institutions of higher education include The University of Texas at Arlington, Tarrant County College, Texas Christian University, Texas Wesleyan University, University of North Texas Health Science Center and Southwestern Baptist Theological Seminary. Diversified manufacturing is a significant factor in the economy of Tarrant County, including aircraft, automobile and electronic manufacturing. Other segments of the local economy include aerospace products, food and beverage, mobile homes, tourism, livestock and agri-business, transportation including major railroad services, financial services, and medical industries.

Major Employers – Tarrant County

<u>COMPANY</u>	<u>INDUSTRY</u>	<u>ESTIMATED NUMBER OF EMPLOYEES</u>
Lockheed Martin	Aerospace and Defense	18,700
Dallas Fort Worth International Airport	Transportation	14,000
General Motors Alington Assembly Plant	Automobile Manufacturing	10,512
Naval Air Station Fort Worth Joint Reserve Base	Military	10,500
BNSF Railway	Freight Transportation	4,900
John Peter Smith Hospital	Health Care	4,600
Alcon Laboratories Inc	Eye Care	4,500
The University of Texas at Arlington	Higher Education	4,383
General Motors Financial	Automobile Financing	4,371
Texas Health Harris Methodist Hospital	Health Care	4,100

Source: Tarrant County - North Central Texas Council of Governments Regional Data & Analysis Center 2023.

Comparative Unemployment Rates

<u>Entity</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025^(A)</u>
Tarrant County	7.4%	5.3%	3.7%	3.8%	3.9%	3.6%
State of Texas	7.7	5.6	3.9	4.0	4.1	3.9
United States of America	8.1	5.3	3.6	3.6	4.0	4.1

^(A) As of December 2025.

Source: Labor Market Information Department, Texas Workforce Commission.

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL



Norton Rose Fulbright US LLP
2200 Ross Avenue, Suite 3600
Dallas, Texas 75201-7932
United States

[CLOSING DATE]

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nortonrosefulbright.com

IN REGARD to the authorization and issuance of the "Eagle Mountain-Saginaw Independent School District Maintenance Tax Notes, Series 2026," dated February 15, 2026, in the aggregate principal amount of \$[] (the "Notes"), we have examined into their issuance by the Eagle Mountain-Saginaw Independent School District (the "District") solely to express legal opinions as to the validity of the Notes and the exclusion of the interest on the Notes from gross income for federal income tax purposes, and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the District, the disclosure of any financial or statistical information or data pertaining to the District and used in the sale of the Notes, or the sufficiency of the security for or the value or marketability of the Notes.

THE NOTES are issued in fully registered form only and in denominations of \$5,000 or any integral multiple thereof (within a maturity). The Notes mature on August 15 in each of the years specified in the pricing certificate (the "Pricing Certificate") executed pursuant to a resolution adopted by the Board of Trustees of the District authorizing the issuance of the Notes (the "Note Resolution" and, jointly with the Pricing Certificate, the "Resolution"), unless redeemed prior to maturity in accordance with the terms stated on the Notes. The Notes accrue interest from the date, at the rates, and in the manner and interest is payable on the dates, all as provided in the Resolution.

IN RENDERING THE OPINIONS herein we have examined and rely upon (i) original or certified copies of the proceedings had in connection with the issuance of the Notes, including the Resolution, and an examination of the initial Note executed and delivered by the District (which we found to be in due form and properly executed), (ii) certifications of officers of the District relating to the expected use and investment of proceeds of the sale of the Notes and certain other funds of the District and (iii) other documentation and such matters of law as we deem relevant. In the examination of the proceedings relating to the issuance of the Notes, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such documents and certifications.

BASED ON OUR EXAMINATION, we are of the opinion that, under applicable laws of the United States of America and the State of Texas in force and effect on the date hereof:

301442048.2/1001375007

Norton Rose Fulbright US LLP is a limited liability partnership registered under the laws of Texas.

Norton Rose Fulbright US LLP, Norton Rose Fulbright LLP, Norton Rose Fulbright Australia, Norton Rose Fulbright Canada LLP and Norton Rose Fulbright South Africa Inc are separate legal entities and all of them are members of Norton Rose Fulbright Verein, a Swiss verein. Norton Rose Fulbright Verein helps coordinate the activities of the members but does not itself provide legal services to clients. Details of each entity, with certain regulatory information, are available at nortonrosefulbright.com.

Page 2 of Legal Opinion of Norton Rose Fulbright US LLP

Re: "Eagle Mountain-Saginaw Independent School District Maintenance Tax Notes,
Series 2026," dated February 15, 2026

1. The Notes have been duly authorized by the District and, when issued in compliance with the provisions of the Resolution, are valid, legally binding, and enforceable obligations of the District, payable from available funds of the District as authorized and provided in Texas Education Code, Section 45.108, as amended, and the Resolution, including an ad valorem tax levied, within the limitations of and pursuant to the District's maintenance tax authority, upon all taxable property within the District, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity.

2. Pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), and existing regulations, published rulings, and court decisions thereunder, and assuming continuing compliance after the date hereof by the District with the provisions of the Resolution relating to sections 141 through 150 of the Code, interest on the Notes for federal income tax purposes (a) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof, and (b) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals.

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

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

APPENDIX D

EXCERPTS FROM THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2025

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

Members:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC
ACCOUNTANTS
TEXAS SOCIETY OF CERTIFIED
PUBLIC ACCOUNTANTS

**HANKINS, EASTUP, DEATON,
TONN, SEAY & SCARBOROUGH**
A Limited Liability Company

CERTIFIED PUBLIC ACCOUNTANTS

902 NORTH LOCUST
P.O. BOX 977
DENTON, TX 76202-0977

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Independent Auditor's Report

Eagle Mountain-Saginaw Independent School District
Fort Worth, Texas

Opinion

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Eagle Mountain-Saginaw Independent School District as of August 31, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Financials section of our report. We are required to be independent of Eagle Mountain-Saginaw Independent School District and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards 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 Eagle Mountain-Saginaw Independent School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Eagle Mountain-Saginaw Independent School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 14 and the Teacher Retirement System schedules on pages 66 through 74 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 Eagle Mountain-Saginaw Independent School District's basic financial statements. The combining and individual nonmajor fund financial statements, the required TEA schedules listed in the table of contents, and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the required TEA schedules, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2026 on our consideration of Eagle Mountain-Saginaw Independent School District's internal control over financial reporting and on our tests of the 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 Eagle Mountain-Saginaw Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Eagle Mountain-Saginaw Independent School District's internal control over financial reporting and compliance.

Hankins Eastup Deaton Tonn Seay & Scarborough

Hankins, Eastup, Deaton, Tonn, Seay & Scarborough, LLC
Denton, Texas
January 6, 2026

**EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2025
(UNAUDITED)**

As management of Eagle Mountain-Saginaw Independent School District, we offer readers of the District's financial statement this narrative overview and analysis of the financial activities of the District for the year ended August 31, 2025. Please read this narrative in conjunction with the independent auditors' report on page 5, and the District's Basic Financial Statements that begin on page 17.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of Eagle Mountain-Saginaw Independent School District exceeded its liabilities and deferred inflows at the close of the most recent fiscal period by \$47,137,719.
- The District's total net position increased by \$30,031,591 during the fiscal year from the result of current year operations.
- As of the close of the current fiscal period, the District's governmental funds reported combined ending fund balances of \$528,830,193. Over 11% of this total amount (\$62,338,156) is unassigned and available for use within the District's commitments and policies.
- At the end of the current fiscal period, the unassigned fund balance of the general fund of \$65,838,277 was 25.49% of the total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise 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. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 17 through 19). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 20) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District. The District has no component units for which it is financially accountable.

The notes to the financial statements (starting on page 33) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. The section labeled Federal Awards Section contains data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 17. Its primary purpose is to show whether the financial position of the District is improving or deteriorating as a result of the year's activities. The Statement of Net Position includes all the District's assets, deferred outflows, deferred inflows and liabilities at the end of the year while the Statement of Activities includes all revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting (the basis used by private sector companies).

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

These two statements report the District's net position and changes in it. The District's net position (the difference between assets, deferred outflows, deferred inflows and liabilities) provides one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, we divide the District into two kinds of activities:

- **Governmental activities**—Most of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.
- **Business-type activities**—The District charges a fee to “customers” to help it cover all or most of the cost of services it provides in the childcare services program.

Reporting the District's Most Significant Funds

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 fund financial statements begin on page 20 and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities).

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 twenty 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, capital projects fund and food service fund, each of which are considered to be major funds. Data from the other sixteen 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 can be found on pages 20 through 27 of this report.
- Proprietary funds.** The District reports the activities for which it charges users (whether outside customers or other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. In fact, the District's enterprise funds (one category of proprietary funds) are the business-type activities reported in the government-wide statements but containing more detail and additional information, such as cash flows. The District uses an enterprise fund to account for its childcare activities. The internal service funds (the other category of proprietary funds) report activities that provide supplies and services for the District's other programs and activities. The District has no internal service funds.
- 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 custodian, 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 custodial net position and a separate statement of changes in custodial fund net position that can be found on pages 31 and 32. These activities are excluded from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following analysis presents both current and prior year data and discuss significant changes in the accounts. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental and business-type activities.

The District's total net position increased by \$30,031,591 during the fiscal year from the result of current year operations. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was a \$37,312,805 deficit at August 31, 2025. The increase of \$30,031,591 in governmental activities net position from current operations was the result of several factors. First, the District's revenues exceeded expenditures by \$48,400,492 (as adjusted for the effects of capital outlay and debt service principal payments.) However, the District recorded depreciation expense, which is a non-cash expense that reduces the value of District assets, in the amount of \$28,278,652. In addition, various adjustments totaling \$9,909,751 were posted to revenues and expenses to account for prepaid expenses, interest accruals and tax revenues earned during the period under the full accrual method of accounting.

**Table I
NET POSITION**

	Governmental Activities		Business-type Activities		Total	
	2024	2025	2024	2025	2024	2025
Current and other assets	\$ 384,117,490	\$ 583,287,360	\$ 1,012,122	\$ 869,019	\$ 385,129,612	\$ 584,156,379
Capital assets	1,061,615,999	1,135,210,637	-	-	1,061,615,999	1,135,210,637
Total assets	1,445,733,489	1,718,497,997	1,012,122	869,019	1,446,745,611	1,719,367,016
Deferred outflows of resources	94,967,919	103,593,021	-	-	94,967,919	103,593,021
Total assets and deferred outflows of resources	1,540,701,408	1,822,091,018	1,012,122	869,019	1,541,713,530	1,822,960,037
Long-term liabilities	1,416,607,104	1,658,615,215	-	-	1,416,607,104	1,658,615,215
Other liabilities	48,885,821	53,918,973	107,174	124,206	48,992,995	54,043,179
Total liabilities	1,465,492,925	1,712,534,188	107,174	124,206	1,465,600,099	1,712,658,394
Deferred inflows of resources	57,564,279	63,163,924	-	-	57,564,279	63,163,924
Total liabilities and deferred inflows of resources	1,523,057,204	1,775,698,112	107,174	124,206	1,523,164,378	1,775,822,318
Net Position:						
Net investments in capital assets	30,010,095	46,162,149	-	-	30,010,095	46,162,149
Restricted	35,522,868	38,288,375	-	-	35,522,868	38,288,375
Unrestricted	(47,888,759)	(38,057,618)	904,948	744,813	(46,983,811)	(37,312,805)
Total Net Position	\$ 17,644,204	\$ 46,392,906	\$ 904,948	\$ 744,813	\$ 18,549,152	\$ 47,137,719

Table II
CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Total	
	2024	2025	2024	2025	2024	2025
Revenues:						
Program Revenues:						
Charges for services	\$ 8,592,830	\$ 8,574,326	\$ 1,196,943	\$ 1,017,280	\$ 9,789,773	\$ 9,591,606
Operating grants and contributions	50,102,151	47,851,015	-	-	50,102,151	47,851,015
Capital grants and contributions	-	10,118,725	-	-	-	10,118,725
General Revenues:						
Maintenance and operations taxes	109,142,745	116,483,724	-	-	109,142,745	116,483,724
Debt service taxes	72,759,008	77,865,178	-	-	72,759,008	77,865,178
State aid - formula grants	117,795,172	114,286,146	-	-	117,795,172	114,286,146
Interest earnings	16,786,602	15,577,947	-	-	16,786,602	15,577,947
Miscellaneous	350,230	764,674	-	-	350,230	764,674
Loss on disposition of capital assets	-	(5,037,702)	-	-	-	(5,037,702)
Total Revenue	375,528,738	386,484,033	1,196,943	1,017,280	376,725,681	387,501,313
Expenses:						
Instruction, curriculum and media services	176,341,851	176,904,179	1,090,579	1,118,183	177,432,430	178,022,362
Instructional and school leadership	20,003,636	20,322,054	-	-	20,003,636	20,322,054
Student support services	25,804,325	25,910,547	-	-	25,804,325	25,910,547
Food services	14,007,570	15,709,626	-	-	14,007,570	15,709,626
Extracurricular activities	10,841,217	11,847,187	-	-	10,841,217	11,847,187
General administration	9,677,614	9,207,198	-	-	9,677,614	9,207,198
Plant maintenance, security and data processing, community svcs	42,897,590	47,558,475	1,004	59,232	42,898,594	47,617,707
Debt services	39,195,859	47,385,717	-	-	39,195,859	47,385,717
Intergovernmental charges	1,055,027	1,447,324	-	-	1,055,027	1,447,324
Total Expenses	339,824,689	356,292,307	1,091,583	1,177,415	340,916,272	357,469,722
Change in net position	35,704,049	30,191,726	105,360	(160,135)	35,809,409	30,031,591
Restatement	1,988,737	(1,443,024)	-	-	1,988,737	(1,443,024)
Net Position (deficit) - beginning of year	(20,048,582)	17,644,204	799,588	904,948	(19,248,994)	18,549,152
Net Position - end of year	\$ 17,644,204	\$ 46,392,906	\$ 904,948	\$ 744,813	\$ 18,549,152	\$ 47,137,719

The cost of all governmental activities for the current fiscal period was \$356,292,307. However, as shown in the Statement of Activities on pages 18 and 19, the amount that our taxpayers ultimately financed for these activities through District taxes was only \$194,348,902 because some of the costs were paid by those who directly benefited from the programs (\$8,574,326) or State funding (\$114,286,146).

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.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$528,830,193 an increase of \$193,574,983 from the previous year. Approximately 15% of this total amount (\$80,058,236) constitutes *committed*, *assigned* and *unassigned fund balance*. The remainder of fund balance is *nonspendable* or *restricted* to indicate that it is not available for new spending because it is already restricted to pay debt service (\$33,056,647) or for capital projects (\$403,010,252) or for food service (\$4,769,341), or already spent on inventories (\$478,774) or prepaid items (\$7,456,943).

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$65,838,277, while the total fund balance was \$85,768,258. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the total fund expenditures. Unassigned fund balance represents 25.49% of the total general fund expenditures, while the total fund balance represents 33.20% of that same amount.

The fund balance of the District's general fund increased by \$7,927,290 during the current fiscal year compared to a \$4,605,164 increase in the prior year. Key factors related to this change are as follows:

- The District realized \$7,259,968 more property tax revenue but \$3,384,834 less State funding in the current year compared to the prior year. However, these additional revenues were offset by an increase in total expenditures of \$10,086,004 or 4.06%, primarily in the areas of instructional costs and facilities maintenance and operations costs.

The debt service fund has a total fund balance of \$33,056,647, all of which is reserved for the payment of debt service. The net increase in fund balance during the period in the debt service fund was \$4,233,460. Property tax revenue increased \$5,190,362 over the prior year due to an increase in the interest and sinking tax rate and increased property valuations. Debt service expenditures increased \$7,040,795 over the prior year due to increased debt service requirements from new bond issuances.

Other changes in fund balances should also be noted. The fund balance in the capital projects fund increased by \$181,118,878, due primarily to \$275,000,000 proceeds from the issuance of school building bonds offset by \$97,652,081 spent on construction-related costs during the year. Although capital expenditures reduce available fund balances, they create new assets for the District as reported in the Statement of Net Position and discussed in Note 4 to the financial statements.

Over the course of the year, the Board of Trustees revised the District's budget at times. These budget amendments fall into three categories. The first category includes amendments and supplemental appropriations that reflect the actual beginning balances (versus the amounts we estimated in August, 2024). The second category includes changes that the Board made during the year to reflect new information regarding revenue sources and expenditure needs. Principal amendments in this category were amendments to reflect an increase in the anticipated amount of State funding to be received and changes in tax collections. The third category involves amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

The District's General Fund balance of \$85,768,258 reported on page 20 differs from the General Fund's budgetary fund balance of \$69,764,850 reported in the budgetary comparison schedule on page 27. This is principally due to cost savings in most functional expenditure categories and the receipt of the energy credit rebate.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At August 31, 2025, the District had \$1,135,210,637 (net of accumulated depreciation) invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net increase of \$73,594,638, or 6.93%, above last year.

This fiscal year's major additions included:

Continuing construction costs on a new middle school	\$59,431,767
Roof & RTU replacements	19,306,971
Computers and servers	2,950,582
Vehicles	1,099,562
Totaling	<u>\$82,788,882</u>

More detailed information about the District's capital assets is presented in Note 4 to the financial statements.

Debt Administration

At year-end, the District had \$1,525,816,463 in long-term debt (outstanding bonds plus accreted interest and premiums/discounts on bonds, right-to-use leases and subscriptions, and compensated absences) versus \$1,291,197,147 last year—an increase of \$234,619,316 or 18.17%. \$266,275,000 par value in new school building bonds were issued during the current fiscal period. The District's underlying rating for unlimited tax bonds is "AA-" by S&P and Fitch and "Aa2" by Moody's but is considered AAA as a result of guarantees of the Texas Permanent School Fund.

More detailed information about the District's long-term liabilities is presented in Note 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The 2024-2025 fiscal year focused on budgeting to meet the needs of a growing district in a competitive employment area while maintaining targeted fund balance levels. Currently, the District has been able to meet and maintain the 90-day fund balance level for seven consecutive years. Past and potential future challenges to meeting this requirement have included the acceleration of enrollment and the need to open new schools to accommodate this growth along with limited increases in the state funding formula compared to the rate of inflation.

To weather the lack of changes to the school finance formula during the 2024-2025 legislative biennium, and after making significant reductions to expenditures the prior year, the District strategically adopted an operating budget using reserves for a second year to maintain programs and remain competitive in the labor market until the 2026-2027 biennium as appropriate funding was available in the state appropriations. The State's distribution of funding did not properly backfill inflation on 2019 funding levels, leaving communities to begin re-evaluating budgeting priorities for future years.

Citizen support remains strong and the District created an 80+ member Financial Integrity and Transparency Team (FITT) Committee to assist in addressing the budget with ongoing state funding concerns. Citizens passed a \$561.1 million bond referendum in November 2023 to support future growth, replacement, and capital maintenance of facilities which allows the district to best use its operational funding to meet its mission in student excellence.

In the 2019 legislative session, the school finance system was replaced by a new system – referred to as "HB3". The new system provides for local property tax relief based on local property value growth in comparison to the state average. As such the District was able to reduce the overall tax rate by \$0.0015 for the 2024-2025 school year and maintain that level for 2025-2026 for a total of decrease of \$0.2943 since HB3's inception. New home construction continues to contribute to a strong, stable local property tax base to support the District's finances with the applied 2025 tax rate of \$1.2457 per \$100 taxable valuation.

The District continues to experience the impact of new charter schools in the area; although the impact is mild compared to the impact experienced in prior years. While charter schools will continue to present potential challenges, the District works to minimize the impact created by the fluctuations in enrollment caused by the operation of charter schools. In the 2025 legislative session, the State of Texas initiated an Education Savings Account (ESA) voucher system allowing families to enroll in private schools using state subsidies beginning in the 2026-2027 school year. With little expansion of private school facilities at this time, the impact is expected to be minimal at first, but could ramp up over time.

For the 2025-2026 budget and beyond, the District is addressing the continued student needs brought forth by the COVID-19 pandemic and continues to position itself to 1) accommodate growth, 2) provide quality instruction and options for our students, and 3) be competitive in the labor market for needed employees. The District will balance these objectives with maintaining fund balance levels and the current AA/Aa2 ratings for the issuance of future debt.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for funds the District receives. If you have questions about this report or need additional financial information, contact the District's business office, at Eagle Mountain-Saginaw Independent School District, 1600 Mustang Rock Road, Fort Worth, Texas 76179, (817) 232-0880.

BASIC FINANCIAL STATEMENTS

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EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2025

EXHIBIT A-1

		1	2	3
		Primary Government		
Data			Business	
Control		Governmental	Type	
Codes		Activities	Activities	Total
ASSETS				
1110	Cash and Cash Equivalents	\$ 562,332,593	\$ 869,019	\$ 563,201,612
1220	Property Taxes - Delinquent	2,345,545	-	2,345,545
1230	Allowance for Uncollectible Taxes	(117,278)	-	(117,278)
1240	Due from Other Governments	9,800,047	-	9,800,047
1290	Other Receivables, Net	990,736	-	990,736
1300	Inventories	478,774	-	478,774
1410	Prepayments	7,456,943	-	7,456,943
Capital Assets:				
1510	Land	40,642,411	-	40,642,411
1520	Buildings, Net	927,431,014	-	927,431,014
1530	Furniture and Equipment, Net	55,356,542	-	55,356,542
1550	Right-to-Use Leased Assets, Net	6,667,600	-	6,667,600
1580	Construction in Progress	105,113,070	-	105,113,070
1000	Total Assets	1,718,497,997	869,019	1,719,367,016
DEFERRED OUTFLOWS OF RESOURCES				
1701	Deferred Charge for Refunding	32,209,214	-	32,209,214
1705	Deferred Outflow Related to TRS Pension	42,510,556	-	42,510,556
1706	Deferred Outflow Related to TRS OPEB	28,873,251	-	28,873,251
1700	Total Deferred Outflows of Resources	103,593,021	-	103,593,021
LIABILITIES				
2110	Accounts Payable	29,695,234	3,000	29,698,234
2150	Payroll Deductions and Withholdings	2,475,936	-	2,475,936
2160	Accrued Wages Payable	17,398,006	121,206	17,519,212
2180	Due to Other Governments	50,516	-	50,516
2200	Accrued Expenses	1,956,074	-	1,956,074
2300	Unearned Revenue	2,343,207	-	2,343,207
Noncurrent Liabilities:				
2501	Due Within One Year: Loans, Note, Leases, etc.	42,743,111	-	42,743,111
Due in More than One Year:				
2502	Bonds, Notes, Loans, Leases, etc.	1,483,073,352	-	1,483,073,352
2540	Net Pension Liability (District's Share)	81,638,808	-	81,638,808
2545	Net OPEB Liability (District's Share)	51,159,944	-	51,159,944
2000	Total Liabilities	1,712,534,188	124,206	1,712,658,394
DEFERRED INFLOWS OF RESOURCES				
2605	Deferred Inflow Related to TRS Pension	20,747,107	-	20,747,107
2606	Deferred Inflow Related to TRS OPEB	42,416,817	-	42,416,817
2600	Total Deferred Inflows of Resources	63,163,924	-	63,163,924
NET POSITION				
3200	Net Investment in Capital Assets and Right-to-Use Lease	46,162,149	-	46,162,149
Restricted:				
3820	Restricted for Federal and State Programs	5,231,728	-	5,231,728
3850	Restricted for Debt Service	33,056,647	-	33,056,647
3900	Unrestricted	(38,057,618)	744,813	(37,312,805)
3000	Total Net Position	\$ 46,392,906	\$ 744,813	\$ 47,137,719

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

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes	1	Program Revenues		
		3	4	5
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 169,230,031	\$ 473,301	\$ 18,372,832	\$ -
12 Instructional Resources and Media Services	3,250,625	-	296,824	-
13 Curriculum and Instructional Staff Development	4,423,524	-	1,211,809	-
21 Instructional Leadership	2,715,033	-	236,940	-
23 School Leadership	17,607,021	-	1,107,980	-
31 Guidance, Counseling, and Evaluation Services	13,903,033	-	1,785,612	-
32 Social Work Services	508,034	-	37,242	-
33 Health Services	3,438,160	-	247,078	-
34 Student (Pupil) Transportation	8,061,320	-	1,319,408	-
35 Food Services	15,709,626	5,264,679	10,028,780	-
36 Extracurricular Activities	11,847,187	509,145	1,059,820	-
41 General Administration	9,207,198	1,410,058	407,686	-
51 Facilities Maintenance and Operations	36,629,764	917,143	701,386	-
52 Security and Monitoring Services	6,594,064	-	1,228,056	-
53 Data Processing Services	4,030,163	-	107,077	-
61 Community Services	304,483	-	127,759	-
72 Debt Service - Interest on Long-Term Debt	45,345,974	-	9,574,726	-
73 Debt Service - Bond Issuance Cost and Fees	2,039,743	-	-	-
81 Capital Outlay	-	-	-	10,118,725
91 Contracted Instructional Services Between Schools	295,868	-	-	-
93 Payments Related to Shared Services Arrangements	113,676	-	-	-
95 Payments to Juvenile Justice Alternative Ed. Prg.	12,126	-	-	-
99 Other Intergovernmental Charges	1,025,654	-	-	-
[TG] Total Governmental Activities:	356,292,307	8,574,326	47,851,015	10,118,725
BUSINESS-TYPE ACTIVITIES:				
01 Employee Child Care	1,118,183	958,048	-	-
02 Security Services	59,232	59,232	-	-
[TB] Total Business-Type Activities:	1,177,415	1,017,280	-	-
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 357,469,722	\$ 9,591,606	\$ 47,851,015	\$ 10,118,725
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			
DT	Property Taxes, Levied for Debt Service			
SF	State Aid - Formula Grants			
IE	Investment Earnings			
MI	Miscellaneous Local and Intermediate Revenue			
S1	Loss on Disposition of Capital Assets			
TR	Total General Revenues and Special Items			
CN	Change in Net Position			
NB	Net Position - Beginning			
PA	Restatement			
NE	Net Position - Ending			

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

Net (Expense) Revenue and Changes in Net Position		
6	7	8
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (150,383,898)	\$ -	\$ (150,383,898)
(2,953,801)	-	(2,953,801)
(3,211,715)	-	(3,211,715)
(2,478,093)	-	(2,478,093)
(16,499,041)	-	(16,499,041)
(12,117,421)	-	(12,117,421)
(470,792)	-	(470,792)
(3,191,082)	-	(3,191,082)
(6,741,912)	-	(6,741,912)
(416,167)	-	(416,167)
(10,278,222)	-	(10,278,222)
(7,389,454)	-	(7,389,454)
(35,011,235)	-	(35,011,235)
(5,366,008)	-	(5,366,008)
(3,923,086)	-	(3,923,086)
(176,724)	-	(176,724)
(35,771,248)	-	(35,771,248)
(2,039,743)	-	(2,039,743)
10,118,725	-	10,118,725
(295,868)	-	(295,868)
(113,676)	-	(113,676)
(12,126)	-	(12,126)
(1,025,654)	-	(1,025,654)
(289,748,241)	-	(289,748,241)
-	(160,135)	(160,135)
-	-	-
-	(160,135)	(160,135)
(289,748,241)	(160,135)	(289,908,376)
116,483,724	-	116,483,724
77,865,178	-	77,865,178
114,286,146	-	114,286,146
15,577,947	-	15,577,947
764,674	-	764,674
(5,037,702)	-	(5,037,702)
319,939,967	-	319,939,967
30,191,726	(160,135)	30,031,591
17,644,204	904,948	18,549,152
(1,443,024)	-	(1,443,024)
\$ 46,392,906	\$ 744,813	\$ 47,137,719

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2025

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 89,991,188	\$ 33,180,090	\$ 430,241,404
1220 Property Taxes - Delinquent	1,557,094	788,451	-
1230 Allowance for Uncollectible Taxes	(77,855)	(39,423)	-
1240 Due from Other Governments	7,962,062	20,896	-
1260 Due from Other Funds	3,767,420	-	4,111
1290 Other Receivables	990,722	-	-
1300 Inventories	69,260	-	-
1410 Prepayments	3,903,949	-	-
1000 Total Assets	<u>\$ 108,163,840</u>	<u>\$ 33,950,014</u>	<u>\$ 430,245,515</u>
LIABILITIES			
2110 Accounts Payable	\$ 1,650,281	\$ -	\$ 27,163,482
2150 Payroll Deductions and Withholdings Payable	2,475,936	-	-
2160 Accrued Wages Payable	16,581,638	-	-
2170 Due to Other Funds	-	36,310	71,781
2180 Due to Other Governments	50,516	-	-
2300 Unearned Revenue	-	-	-
2000 Total Liabilities	<u>20,758,371</u>	<u>36,310</u>	<u>27,235,263</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	1,637,211	857,057	-
2600 Total Deferred Inflows of Resources	<u>1,637,211</u>	<u>857,057</u>	<u>-</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	69,260	-	-
3430 Prepaid Items	3,903,949	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	403,010,252
3480 Retirement of Long-Term Debt	-	33,056,647	-
Committed Fund Balance:			
3545 Other Committed Fund Balance	-	-	-
Assigned Fund Balance:			
3590 2025-2026 Projected Budget Deficit	15,956,772	-	-
3600 Unassigned Fund Balance	65,838,277	-	-
3000 Total Fund Balances	<u>85,768,258</u>	<u>33,056,647</u>	<u>403,010,252</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 108,163,840</u>	<u>\$ 33,950,014</u>	<u>\$ 430,245,515</u>

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

Child Nutrition Fund	Other Funds	Total Governmental Funds
\$ 7,128,121	\$ 1,791,790	\$ 562,332,593
-	-	2,345,545
-	-	(117,278)
670,923	1,146,166	9,800,047
-	-	3,771,531
14	-	990,736
409,514	-	478,774
52,873	3,500,121	7,456,943
<u>\$ 8,261,445</u>	<u>\$ 6,438,077</u>	<u>\$ 587,058,891</u>
\$ 737,998	\$ 143,473	\$ 29,695,234
-	-	2,475,936
276,079	540,289	17,398,006
1,686,256	1,977,184	3,771,531
-	-	50,516
329,384	2,013,823	2,343,207
<u>3,029,717</u>	<u>4,674,769</u>	<u>55,734,430</u>
-	-	2,494,268
<u>-</u>	<u>-</u>	<u>2,494,268</u>
409,514	-	478,774
52,873	3,500,121	7,456,943
4,769,341	-	4,769,341
-	-	403,010,252
-	-	33,056,647
-	1,763,308	1,763,308
-	-	15,956,772
-	(3,500,121)	62,338,156
<u>5,231,728</u>	<u>1,763,308</u>	<u>528,830,193</u>
<u>\$ 8,261,445</u>	<u>\$ 6,438,077</u>	<u>\$ 587,058,891</u>

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EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2025

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$ 528,830,193
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental fund financial statements.	1,493,265,245
2 Accumulated depreciation has not been included in the governmental fund financial statements.	(358,054,608)
3 Bonds payable have not been included in the governmental fund financial statements.	(1,393,345,000)
4 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$81,638,808, a Deferred Resource Inflow related to TRS in the amount of \$20,747,107 and a Deferred Resource Outflow related to TRS in the amount of \$42,510,556. This amounted to a decrease in Net Position in the amount of \$59,875,359.	(59,875,359)
5 Included in the items related to debt is the recognition of the District's proportionate share of the net Other Post-Employment Benefit (OPEB) liability required by GASB 75 in the amount of \$51,159,944, a Deferred Resource Inflow related to TRS OPEB in the amount of \$42,416,817, and a Deferred Resource Outflow related to TRS OPEB in the amount of \$28,873,251. This amounted to a net decrease in Net Position in the amount of \$64,703,510.	(64,703,510)
6 Right-to-use lease liabilities have not been included in the fund financial statements.	(3,143,426)
7 Right-to-own subscription liabilities have not been included in the fund financial statements.	(3,679,711)
8 Accrued compensated absences have not been recorded in the fund financial statements.	(1,480,839)
9 Accreted interest for capital appreciation bonds have not been included in the governmental fund financial statements.	(715,000)
10 Unavailable revenue on property taxes in the fund financial statements was recorded as revenue in the district-wide financial statements.	2,494,268
11 Interest is accrued on outstanding debt in the district-wide financial statements, whereas in the fund financial statements, an interest expenditure is reported when due.	(1,956,074)
12 Loss on the refunding of bonds reported as net other financing uses on the fund financial statements is deferred in the district-wide financial statements.	32,209,214
13 Premium on the issuance of bonds reported as net other financing sources on the fund financial statements is capitalized in the district-wide financial statements.	(123,452,487)
29 Net Position of Governmental Activities	\$ 46,392,906

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

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 122,717,629	\$ 80,312,182	\$ 8,429,504
5800 State Program Revenues	129,234,885	8,592,932	-
5900 Federal Program Revenues	2,018,568	561,315	-
5020 Total Revenues	253,971,082	89,466,429	8,429,504
EXPENDITURES:			
Current:			
0011 Instruction	144,116,158	-	3,595,121
0012 Instructional Resources and Media Services	2,779,425	-	-
0013 Curriculum and Instructional Staff Development	3,071,170	-	-
0021 Instructional Leadership	2,357,075	-	-
0023 School Leadership	15,583,827	-	-
0031 Guidance, Counseling, and Evaluation Services	11,420,673	-	-
0032 Social Work Services	499,470	-	-
0033 Health Services	3,006,849	-	-
0034 Student (Pupil) Transportation	8,061,320	-	-
0035 Food Services	462,012	-	-
0036 Extracurricular Activities	11,150,390	-	11,409
0041 General Administration	8,325,751	-	-
0051 Facilities Maintenance and Operations	34,014,137	-	909,880
0052 Security and Monitoring Services	5,074,828	-	146,245
0053 Data Processing Services	3,771,789	-	-
0061 Community Services	88,774	-	-
Debt Service:			
0071 Principal on Long-Term Liabilities	2,857,980	35,855,000	-
0072 Interest on Long-Term Liabilities	228,086	50,500,900	-
0073 Bond Issuance Cost and Fees	-	48,367	1,991,376
Capital Outlay:			
0081 Facilities Acquisition and Construction	-	-	97,652,081
Intergovernmental:			
0091 Contracted Instructional Services Between Schools	295,868	-	-
0093 Payments to Fiscal Agent/Member Districts of SSA	113,676	-	-
0095 Payments to Juvenile Justice Alternative Ed. Prg.	12,126	-	-
0099 Other Intergovernmental Charges	1,025,654	-	-
6030 Total Expenditures	258,317,038	86,404,267	104,306,112
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,345,956)	3,062,162	(95,876,608)
OTHER FINANCING SOURCES (USES):			
7911 Capital Related Debt Issued	-	-	266,275,000
7912 Sale of Real and Personal Property	33,249	-	-
7913 Right-to-Use Lease and SBITA Proceeds	2,286,584	-	-
7916 Premium or Discount on Issuance of Bonds	-	1,171,298	10,720,486
7080 Total Other Financing Sources (Uses)	2,319,833	1,171,298	276,995,486
EXTRAORDINARY ITEMS:			
7919 Extraordinary Item - Resource	10,855,556	-	-
8913 Extraordinary Item - (Use)	(902,143)	-	-
1200 Net Change in Fund Balances	7,927,290	4,233,460	181,118,878
0100 Fund Balance - September 1 (Beginning)	77,840,968	28,823,187	221,891,374
3000 Fund Balance - August 31 (Ending)	\$ 85,768,258	\$ 33,056,647	\$ 403,010,252

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

Child Nutrition Fund	Other Funds	Total Governmental Funds
\$ 5,577,589	\$ 1,982,403	\$ 219,019,307
58,747	1,882,110	139,768,674
8,838,555	6,718,200	18,136,638
14,474,891	10,582,713	376,924,619
-	7,600,005	155,311,284
-	125,498	2,904,923
-	873,365	3,944,535
-	39,307	2,396,382
-	45,460	15,629,287
-	737,671	12,158,344
-	-	499,470
-	-	3,006,849
-	-	8,061,320
14,410,483	-	14,872,495
-	219,470	11,381,269
-	-	8,325,751
-	724	34,924,741
-	949,812	6,170,885
-	-	3,771,789
-	64,862	153,636
-	333,205	39,046,185
-	87,274	50,816,260
-	-	2,039,743
-	-	97,652,081
-	-	295,868
-	-	113,676
-	-	12,126
-	-	1,025,654
14,410,483	11,076,653	474,514,553
64,408	(493,940)	(97,589,934)
-	-	266,275,000
-	-	33,249
-	724,887	3,011,471
-	-	11,891,784
-	724,887	281,211,504
-	-	10,855,556
-	-	(902,143)
64,408	230,947	193,574,983
5,167,320	1,532,361	335,255,210
\$ 5,231,728	\$ 1,763,308	\$ 528,830,193

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

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ 193,574,983
Current year capital outlays are expenditures in the governmental fund financial statements, but are shown as increase in capital assets in the government-wide financial statements.	106,944,241
Depreciation is not recognized as an expense in the governmental funds since it does not require the use of current financial resources.	(28,278,652)
Current year long-term debt principal payments on contractual obligations are expenditures in the governmental fund financial statements, but are shown as reductions in long-term debt in the district-wide financial statements.	39,046,185
Current year decrease in the accretion on capital appreciation bonds is not reflected in the governmental fund financial statements, but is shown as decreases in accreted interest on the government-wide financial statements.	679,364
Interest is accrued on outstanding debt in the district-wide financial statements, whereas in the governmental fund financial statements an interest expenditure is reported when due. This amount represents the current year change in accrued interest.	572,984
Current year amortization of the premium/discount on bonds payable is not recorded in the fund financial statements, but is shown as a reduction in long-term debt in the government-wide financial statements.	6,871,205
Amortization of deferred loss on bond refunding is not recognized in the governmental funds. The effect of recording current year amortization is to decrease net assets.	(2,653,267)
Current year right-to-use lease and subscription liabilities proceeds are recorded as an other resource in the fund financial statements, but are shown as increases in long-term debt in the government-wide financial statements.	(3,011,471)
Proceeds from bond sales are recorded as other resources in the fund financial statements but are shown as an increase in long-term debt in the government-wide financial statements.	(266,275,000)
Premium received on bond sales are recorded as other resources in the fund financial statements but are shown as an increase in long-term debt in the government-wide financial statements.	(11,891,784)
The basis of capital asset dispositions do not affect the fund financial statements but are shown as a reduction of capital assets in the government-wide financial statements.	(5,070,951)
Revenue from property taxes is shown as unavailable in the governmental fund financial statements until they are considered available to finance current expenditures, but such revenues are recognized when assessed net of an allowance for uncollectible accounts in the government-wide financial statements. This amount represents the current year change in unavailable property taxes.	(11,249)
Current year increases in accrued compensated absences are shown as expenditures in the fund financial statements but are shown as increases in long-term debt in the government-wide financial statements.	(37,815)
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 8/31/2024 caused the change in the ending net position to increase in the amount of \$7,693,953. Contributions were replaced with the District's pension expense for the year of \$13,311,790, which caused a decrease in the change in net position. The impact of all of these is to decrease net position by \$5,617,837.	(5,617,837)
The implementation of GASB 75 required that certain expenditures be de-expended and recorded as deferred resource outflows. TRS OPEB contributions made after the measurement date of 8/31/2024 but during the current fiscal year caused the ending net position to increase in the amount of \$1,558,844. These contributions were replaced with the District's OPEB expense for the year, which was \$(6,909,634) and also caused an increase in net position. The impact of both of these is to increase net position by \$5,350,790.	5,350,790
Change in Net Position of Governmental Activities	\$ 30,191,726

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

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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 123,265,619	\$ 122,717,233	\$ 122,717,629	\$ 396
5800 State Program Revenues	117,815,856	129,834,818	129,234,885	(599,933)
5900 Federal Program Revenues	2,400,000	1,989,000	2,018,568	29,568
5020 Total Revenues	243,481,475	254,541,051	253,971,082	(569,969)
EXPENDITURES:				
Current:				
0011 Instruction	144,280,451	146,214,933	144,116,158	2,098,775
0012 Instructional Resources and Media Services	2,923,972	3,058,000	2,779,425	278,575
0013 Curriculum and Instructional Staff Development	2,986,146	3,409,485	3,071,170	338,315
0021 Instructional Leadership	2,563,906	2,577,692	2,357,075	220,617
0023 School Leadership	15,771,217	15,832,999	15,583,827	249,172
0031 Guidance, Counseling, and Evaluation Services	11,429,820	11,659,828	11,420,673	239,155
0032 Social Work Services	583,211	583,211	499,470	83,741
0033 Health Services	3,202,033	3,128,251	3,006,849	121,402
0034 Student (Pupil) Transportation	8,763,633	8,854,702	8,061,320	793,382
0035 Food Services	224,853	540,893	462,012	78,881
0036 Extracurricular Activities	10,872,181	11,295,880	11,150,390	145,490
0041 General Administration	8,796,678	8,519,775	8,325,751	194,024
0051 Facilities Maintenance and Operations	33,398,102	34,748,565	34,014,137	734,428
0052 Security and Monitoring Services	5,271,195	5,408,317	5,074,828	333,489
0053 Data Processing Services	3,834,012	4,097,250	3,771,789	325,461
0061 Community Services	25,011	126,881	88,774	38,107
Debt Service:				
0071 Principal on Long-Term Liabilities	3,687,320	3,524,673	2,857,980	666,693
0072 Interest on Long-Term Liabilities	306,517	292,997	228,086	64,911
Intergovernmental:				
0091 Contracted Instructional Services Between Schools	600,000	617,690	295,868	321,822
0093 Payments to Fiscal Agent/Member Districts of SSA	260,000	185,000	113,676	71,324
0095 Payments to Juvenile Justice Alternative Ed. Prg.	80,000	28,000	12,126	15,874
0099 Other Intergovernmental Charges	1,015,914	1,045,914	1,025,654	20,260
6030 Total Expenditures	260,876,172	265,750,936	258,317,038	7,433,898
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(17,394,697)	(11,209,885)	(4,345,956)	6,863,929
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	-	33,249	33,249	-
7913 Right-to-Use Lease and SBITA Proceeds	1,664,640	3,100,518	2,286,584	(813,934)
7080 Total Other Financing Sources (Uses)	1,664,640	3,133,767	2,319,833	(813,934)
EXTRAORDINARY ITEMS:				
7919 Extraordinary Item - Resource	-	250,000	10,855,556	10,605,556
8913 Extraordinary Item - (Use)	-	(250,000)	(902,143)	(652,143)
1200 Net Change in Fund Balances	(15,730,057)	(8,076,118)	7,927,290	16,003,408
0100 Fund Balance - September 1 (Beginning)	77,840,968	77,840,968	77,840,968	-
3000 Fund Balance - August 31 (Ending)	\$ 62,110,911	\$ 69,764,850	\$ 85,768,258	\$ 16,003,408

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

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2025

	Business-Type Activities
	Total Enterprise Funds
<hr/>	
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 869,019
Total Assets	<u>869,019</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	3,000
Accrued Wages Payable	<u>121,206</u>
Total Liabilities	<u>124,206</u>
NET POSITION	
Unrestricted Net Position	<u>744,813</u>
Total Net Position	<u><u>\$ 744,813</u></u>

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

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2025

	Business-Type Activities
	Total Enterprise Funds
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 1,017,280
Total Operating Revenues	<u>1,017,280</u>
OPERATING EXPENSES:	
Payroll Costs	1,065,496
Professional and Contracted Services	8,060
Supplies and Materials	16,953
Other Operating Costs	<u>86,906</u>
Total Operating Expenses	<u>1,177,415</u>
Operating Income (Loss)	(160,135)
Total Net Position - September 1 (Beginning)	<u>904,948</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 744,813</u></u>

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

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2025

EXHIBIT D-3

	Business-Type Activities
	Total Enterprise Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ 1,017,280
Cash Payments for Payroll Costs	(1,051,464)
Cash Payments for Purchased Services	(8,060)
Cash Payments for Supplies and Materials	(16,953)
Cash Payments for Expenses	(83,906)
Net Cash Used for Operating Activities	(143,103)
Net Decrease in Cash and Cash Equivalents	(143,103)
Cash and Cash Equivalents at Beginning of Year	1,012,122
Cash and Cash Equivalents at End of Year	\$ 869,019
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>	
<u>Used for Operating Activities:</u>	
Operating Income (Loss):	\$ (160,135)
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Accounts Payable	3,000
Increase (decrease) in Accrued Wages Payable	14,032
Net Cash Used for Operating Activities	\$ (143,103)

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

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2025

	Total Custodial Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 842,089
Total Assets	<u>842,089</u>
NET POSITION	
Unrestricted Net Position	<u>842,089</u>
Total Net Position	<u><u>\$ 842,089</u></u>

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

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2025

	Total Custodial Funds
ADDITIONS:	
Received from Student Groups	\$ 1,405,499
Total Additions	<u>1,405,499</u>
DEDUCTIONS:	
Student Groups	<u>1,327,457</u>
Total Deductions	<u>1,327,457</u>
Change in Fiduciary Net Position	78,042
Total Net Position - September 1 (Beginning)	<u>764,047</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 842,089</u></u>

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

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Eagle Mountain-Saginaw Independent School District (the "District") is a public educational agency operating under the applicable rules and regulations of the State of Texas. The District's combined financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units in conjunction with the Texas Education Agency's (TEA) Financial Accountability System Resource Guide (FAR). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

A. REPORTING ENTITY

The Board of Trustees, a seven member group elected by registered voters of the District, has fiscal accountability over all activities related to public elementary and secondary education within the jurisdiction of the District. The board of trustees are elected by the public. The trustees as a body corporate have the exclusive power and duty to govern and oversee the management of the public schools of the district. All powers and duties not specifically delegated by statute to the Texas Education Agency (Agency) or to the State Board of Education are reserved for the trustees, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the trustees. The District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards.

The District's basis financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the District holds the corporate powers of the organization
- the District appoints a voting majority of the organization's board
- the District is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the District
- there is fiscal dependency by the organization on the District

Based on the aforementioned criteria, the Eagle Mountain-Saginaw Independent School District has no component units.

B. BASIS OF PRESENTATION

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements, except that interfund services provided and used are not eliminated in the process of consolidation. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which 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 program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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Fund Financial Statements:

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. 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.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The District has presented the following major governmental funds:

1. **General Fund** - This fund is established to account for resources financing the fundamental operations of the District, in partnership with the community, in enabling and motivating students to reach their full potential. All revenues and expenditures not required to be accounted for in other funds are included here. This is a budgeted fund and any fund balances are considered resources available for current operations. Fund balances may be appropriated by the Board of Trustees to implement its responsibilities.
2. **Debt Service Fund** - This fund is established to account for payment of principal and interest on long-term general obligation debt and other long-term debts for which a tax has been dedicated. This is a budgeted fund. Any unused sinking fund balances are transferred to the General Fund after all of the related debt obligations have been met.
3. **Capital Projects Fund** - This fund is established to account for proceeds, from the sale of bonds and other resources to be used for Board authorized acquisition, construction, or renovation, as well as, furnishings and equipping of major capital facilities. Upon completion of a project, any unused bond proceeds are transferred to the Debt Service Fund and are used to retire related bond principal.
4. **Special Revenue Fund-Child Nutrition Fund** - This fund is established to account for resources financing the child nutrition program of the District. Federal reimbursement revenues originating from the US Department of Agriculture, as well as user fees, are expended for program operations with any unused balances legally restricted for use in the program.

Additionally, the District reports the following fund types:

1. **Special Revenue Funds** - These funds are established to account for federally financed or expenditures legally restricted for specified purposes. In many special revenue funds, any unused balances are returned to the grantor at the close of specified project periods. For funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.
2. **Permanent Fund** - The District utilizes a permanent fund to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes to support the District's programs. The District has no permanent funds.
3. **Enterprise Fund** - The District utilizes enterprise funds to account for the Districts' activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities. The District uses this fund to account for its employee childcare services, because this program is self-supporting and does not require subsidies from the general fund.

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4. **Internal Service Funds** – The District utilizes Internal Service Funds to account for revenues and expenses related to services provided to parties inside the District on a cost reimbursement basis. These funds facilitate distribution of support costs to the users of support services. The District has no internal service funds.
5. **Private Purpose Trust Funds** – The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District has no private purpose trust funds.
6. **Fiduciary Funds** – The District reports Custodial Funds as Fiduciary Funds. Custodial Funds are custodial in nature and account for activities of student and employee groups. Custodial Funds exist with the explicit approval of, and are subject to revocation by, the Board. The District's Custodial Fund is the Student Activity Fund.

Activities accounted for in the Special Revenue Funds are:

ESEA I, A Improving Basic Programs - funds granted to serve students needing reading and math assistance
IDEA-Part B Formula - funds granted for children with disabilities
IDEA-Part B Preschool - funds granted for preschool children with disabilities
IDEA-Part B Discretionary – funds granted for special education private residential placements
National Breakfast and Lunch Program - funds granted to serve meals to disadvantaged children
Career and Technical - funds granted for vocational program for students
ESEA II, A Training and Recruiting - funds for training to improve teacher and principal quality
Title III, A English Lang. Acquisition - funds to improve the education of limited English proficient children
Medicaid Admin. Claim MAC - funds to reimburse Medicaid state plan administrative costs
Summer School LEP - funds for summer education of limited English proficient students
ESEA Title IV, Part A - funds granted for student support and academic enrichment
Empowering ESCE Educators – funds granted to provide support for districts seeking training and certification for ESCE professionals
Visually Impaired - funds granted for visually impaired students
Advanced Placement Incentives - funds granted under the Texas Advanced Placement Award incentive program
State Instructional Materials - funds granted for textbook and technology needs
Dyslexia Grant - funds granted to increase the District's capacity to serve students with dyslexia
School Safety and Security Grants - funds granted from multiple grants for additional safety and security equipment
Read to Succeed - funds from state license fees for reading programs
Texas Strategic Staffing – funds granted to design and implement paid teacher residency programs
Campus Activity Funds - accounts for funds raised by a campus for the benefit of that campus

The enterprise fund and internal service funds are proprietary fund types. 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. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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C. MEASUREMENT FOCUS/BASIS OF ACCOUNTING

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets, deferred outflows of resources and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in net total position. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time the liability is incurred. Agency funds have no measurement focus.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The District considers property taxes as available if they are collected within 60 days after year-end. A 90-day availability period is also used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

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.

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.

The revenue susceptible to accrual are property taxes, charges for services, interest income and intergovernmental revenues. All other Governmental Fund Type revenues are recognized when received.

Revenues from state and federal grants are recognized as earned when the related program expenditures are incurred. Funds received but unearned are reflected as unearned revenues, and funds expended but not yet received are shown as receivables.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first when appropriate, then unrestricted resources as they are needed.

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Revenue from investments, including governmental external investment pool, is based upon fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Most investments are reported at amortized cost when the investments have remaining maturities of one year or less at time of purchase. External investment pool are permitted to report short-term debt investments at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer, or other factors. For that purpose, a pool's short-term investments are those with remaining maturities of up to ninety days.

In accordance with the FAR, the District has adopted and installed an accounting system which exceeds the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure presented in the Accounting Code Section of the FAR.

D. BUDGETARY CONTROL

The Board adopts annual budgets on a basis consistent with GAAP for the General Fund, Debt Service Fund, and the Food Service Special Revenue Fund. The budget is prepared and controlled at the fund and object level for revenues, and the fund and function level for expenditures. The remaining special revenue funds and the Capital Projects Fund adopt project-length budgets which do not correspond to the District's fiscal year.

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

- Prior to August 20th, the District prepares a budget based on the modified zero-based budgeting concept for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- After one or more budget workshops with the Board, a meeting is called for the purpose of adopting the proposed budget. At least ten days, but not more than 30 days, public notice of the meeting is required.
- Prior to September 1st, the Board legally adopts the budget for the General Fund, Debt Service Fund, and the Food Service Special Revenue Fund.
- Expenditure budgets are controlled by the appropriate budget manager (principal, department director, or divisional administrator). Budget managers may authorize transfers within functional and organizational categories that do not affect the total functional and organizational appropriation.
- All budget appropriations lapse at year-end.

Over the course of the year, budget amendments and transfers are necessary to realign funds, which will increase and/or decrease various function levels and object series within the budget. Expenditure amendments and transfers between functional categories must be approved before spending exceeds the functional category appropriation. All necessary amendments and transfers are presented to the Board for approval at regular Board meetings and reflected in the official minutes.

E. ENCUMBRANCE ACCOUNTING

The District employs encumbrance accounting, whereby encumbrances for goods or purchased services are documented by purchase orders and contracts. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. The issuance of a purchase order or the signing of a contract creates an encumbrance but does not

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represent an expenditure for the period, only a commitment to expend resources. Appropriations lapse at August 31 and encumbrances outstanding at that time are either canceled or appropriately provided for in the subsequent year's budget.

F. CASH AND TEMPORARY INVESTMENTS

The cash portion of this caption in the accompanying fund financial statements is comprised of demand accounts, imprest funds and money market savings accounts. The District maintains a demand account on an imprest basis through which most obligations are paid. Checking account balances for most government fund expenditures are pooled into one demand account.

The District's investments in state investment pools are considered to be cash and cash equivalents. All daily receipts are deposited to demand accounts until the funds are invested under the terms of the District's depository contract.

The District's investment in government securities is considered to be cash and cash equivalents and has been adjusted to fair value.

G. PREPAID ITEMS

Prepaid balances are for payments made by the District in the current year to provide services occurring in the subsequent fiscal year, and prepaid items have been shown as nonspendable fund balance to signify that a portion of fund balance is not available for other subsequent expenditures.

H. INVENTORIES

The consumption method is used to account for inventories of food products, school supplies and athletic equipment. Under this method, these items are carried in an inventory account of the respective fund at cost, using the first-in, first-out method of accounting and are subsequently charged to expenditures when consumed. In the General Fund, reported inventories have been shown as nonspendable fund balance to indicate that they are unavailable as current expendable financial resources.

Inventories of food commodities used in the food service program are recorded at fair market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair market value is recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenues are relieved, expenditures are charged, and revenue is recognized for an equal amount. Commodities on hand at August 31, 2025 totaled \$0.

I. INTERFUND RECEIVABLES AND PAYABLES

During the course of normal operations, the District has numerous transactions between funds: The most significant are:

- (A) Inventory is maintained in the General Fund but available for consumption by all funds on a cost reimbursement basis, and
- (B) Short-term interfund loans, due to the fact that checking account balances for most governmental funds are pooled into one demand account.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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J. CAPITAL ASSETS

Capital assets, which includes property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$5,000 or more and over one-year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	50 Years
Furniture and Equipment	5-10 Years

In May 2021, GASB Implementation Guide No. 2021-1 updated guidance to require the capitalization of purchases of certain groups of assets with individual values less than the capitalization threshold, effective for fiscal years beginning after June 15, 2023. In prior years, the District had expended purchase of groups of assets with individual values less than the District's capitalization threshold.

K. COMPENSATED ABSENCES

It is the District's policy that after 5 years a terminating employee will be compensated for unused local leave, up to a certain maximum number of days. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Vacations are to be taken within the same year they are earned, and any unused days at the end of the calendar year are forfeited. Therefore, no liability for unused vacation leave has been accrued in the accompanying financial statements.

L. CASH EQUIVALENTS

For purposes of the statement of cash flows, the Childcare Services Fund considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

M. NET POSITION

Net position represents the difference between assets, deferred outflows of resources, deferred inflows of resources and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciations, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

N. LONG-TERM OBLIGATIONS

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over

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the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. Accretion is an adjustment of the difference between the price of a bond issued at an original discount and the par value of the bond. For the governmental activities debt, the accreted value is recognized as it accrues by fiscal year.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

O. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows and inflows of resources are reported in the statement of financial position as described below:

A deferred outflow of resources is a consumption of a government's net assets (a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets) by the government that is applicable to a future reporting period. The District has three items that qualify for reporting in this category:

Deferred outflows of resources for refunding - Reported in the government-wide statement of net position, the deferred charge on bond refundings results from the difference in 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. The amount of deferred outflows reported in the governmental activities for the deferred charge on bond refundings at August 31, 2025 was \$32,209,214.

Deferred outflows of resources for pension - Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of differences between expected and actual actuarial experiences. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan which is currently approximately 5.6451 years.

A deferred outflow for pension expense results from payments made to the TRS pension plan by the District after the plan's measurement date. The amount of deferred outflows reported in the governmental activities for deferred pension expenses at August 31, 2025 was \$42,510,556.

Deferred outflows of resources for OPEB- Reported in the government-wide financial statement of net position, this deferred outflow results from OPEB plan contributions made after the measurement date of the net OPEB liability and the results of differences between expected and actual investment earnings and changes in proportionate share. The deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the next fiscal year. The other OPEB related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the OPEB plan which is currently approximately 9.4212 years. The amount of deferred outflows reported in the governmental activities for deferred OPEB expense at August 31, 2025 was \$28,873,251.

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A deferred inflow of resources is an acquisition of a government's net assets (an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets) by the government that is applicable to a future reporting period. The District has three items that qualify for reporting in this category:

Deferred inflows of resources for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District reported property taxes that are unavailable as deferred inflows of resources in the fund financial statements. The amount of deferred inflows of resources reported in the governmental funds at August 31, 2025 was \$2,494,268.

Deferred inflows of resources for pension - Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between projected and actual earnings on pension plan investments. These amounts will be amortized over a closed five-year period. In fiscal year 2025, the District reported deferred inflows of resources for pensions in the governmental activities in the amount of \$20,747,107.

Deferred inflows of resources for OPEB - Reported in the government-wide financial statement of net position, these deferred inflows result primarily from differences between expected and actual experience and from changes in assumptions. These amounts will be amortized over the average expected remaining service life (AERSL) of all members (9.4212 years for the 2024 measurement year). In fiscal year 2025, the District reported deferred inflows of resources for OPEB in the governmental activities in the amount of \$42,416,817.

P. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2025, the District purchased commercial insurance to cover general liabilities and property damage, and retained some risk through the establishment of deductibles on policies. There were no significant reductions in coverage in the past fiscal year.

Q. SUBSEQUENT EVENTS

Management has reviewed events subsequent to August 31, 2025 through January 6, 2026, which is the date the financial statements were available to be issued. No subsequent events were identified that are required to be disclosed in the financial statements.

R. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

S. DATA CONTROL CODES

The Data Control Codes refer to the account code structure prescribed by the Texas Education Agency (the "Agency") in their Resource Guide. The Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a Statewide data base for policy development and funding plans.

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NOTE 2. FUND BALANCE

The District implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" in a prior year. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent.

Fund Balance Classification: The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The District has classified prepaid items and inventories as being nonspendable as these items are not expected to be converted to cash.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Debt service resources are to be used for future servicing of the District's bonded debt and are restricted through debt covenants. Capital projects fund resources are to be used for future construction and renovation projects and are restricted through bond orders and constitutional law. Food service resources are to be used in the food service program.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the District's Board of Trustees. The Board of Trustees establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This can also be done through adoption and amendment of the budget. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Board of Trustees have committed resources as of August 31, 2025 for campus activities.
- Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Trustees or through the Board of Trustees delegating this responsibility to other individuals in the District. Under the District's adopted policy, only the Board of Trustees may assign amounts for specific purposes. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund. The District has assigned fund balance at August 31, 2025 for a projected 2025-26 budget deficit.
- Unassigned: This classification includes all amounts not included in other spendable classifications, including the residual fund balance for the General Fund.

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

During the current fiscal period, the Board of Trustees adopted a fund balance policy that expresses an intent to maintain a level of assigned and unassigned fund balance in the general fund equal to 25 percent of the fund's operating expenditures.

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The details of the fund balances are included in the Governmental Funds Balance Sheet (pages 20 and 21) and are described below:

General Fund

The General Fund has unassigned fund balance of \$65,838,277 at August 31, 2025. Prepaid expenditures (prepaid items) of \$3,903,949 and inventories of \$69,260 are considered nonspendable fund balance. The District has committed general fund fund balance resources of \$15,956,772 to cover a projected 2025-26 budget deficit.

Other Major Funds

The Debt Service Fund has restricted funds of \$33,056,647 at August 31, 2025 consisting primarily of property tax collections that are restricted for debt service payments on bonded debt. \$4,769,341 of the fund balance of the Food Service Fund (a special revenue fund) is shown as restricted for that purpose. The remainder of the Food Service Fund is shown as nonspendable fund balance because it has already been spent on inventories (\$409,514) or prepaid items (\$52,873). The Capital Projects Fund has restricted funds of \$403,010,252 at August 31, 2025, consisting primarily of unspent bond funds that are restricted for ongoing construction contracts.

Other Funds

The fund balance of \$1,763,308 of the Campus Activity Fund (a special revenue fund) is shown as committed due to Board policy committing those funds to campus activities.

NOTE 3. DEPOSITS AND INVESTMENTS

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

1. Cash Deposits:

At August 31, 2025, the carrying amount of the District's deposits checking accounts and interest-bearing savings accounts was \$27,192,967 and the bank balance was \$31,844,258. The District's cash deposits at August 31, 2025 and at all times during the current fiscal year were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment

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practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. That policy addresses the following risks:

- a. **Custodial Credit Risk – Deposits:** In the case of deposits, this is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. As of August 31, 2025, the District's cash balances totaled \$31,844,258. This entire amount was either collateralized with securities held by the District's financial institution's agent in the District's name or covered by FDIC insurance. Thus, the District's deposits are not exposed to custodial credit risk.
- b. **Custodial Credit Risk - Investments:** For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At August 31, 2025, the District held its investments in three public funds investment pools (Lone Star, TexPool and Texas Range), U.S. Government securities, state and local government securities and Asian development bank notes. Investments in external investment pools are considered unclassified as to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form. Investments in U.S. Government securities do not carry custodial credit risk.
- c. **Credit Risk -** This is the risk that an issuer or other counterparty to an investment will be unable to fulfill its obligations. The rating of securities by nationally recognized rating agencies is designed to give an indication of credit risk. The credit quality rating for TexPool at year-end was AAAM (Standard & Poor's), and for Lone Star and Texas Range was AAAf (Standard & Poor's).
- d. **Interest Rate Risk -** This is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. The weighted average maturity for the TexPool, Texas Range and Lone Star investments is less than 60 days and for the District's investment in U.S. Government securities is 3 years.
- e. **Foreign Currency Risk -** This is the risk that exchange rates will adversely affect the fair value of an investment. At August 31, 2025, the District was not exposed to foreign currency risk.
- f. **Concentration of Credit Risk -** This is the risk of loss attributed to the magnitude of the District's investment in a single issuer (i.e., lack of diversification). Concentration risk is defined as positions of 5 percent or more in the securities of a single issuer. Investment pools are excluded from the 5 percent disclosure requirement.

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

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

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The District's investments at August 31, 2025, are shown below:

Name	Carrying Amount	Fair Value
TexPool	\$ 68,848,530	\$ 68,848,530
Lone Star	356,477,747	356,477,747
Texas Range	26,779,182	26,779,182
U.S. Government securities	1,650,268	1,650,268
State & Local Govt securities	<u>83,068,054</u>	<u>83,068,054</u>
Total	<u>\$536,823,781</u>	<u>\$536,823,781</u>

Fair Value Measurements

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. 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. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

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

Assets and Liabilities Measured at Fair Value on a Recurring Basis

	<u>Fair Value Measurements Using</u>			
	Balance at 8/31/25	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Investments by Fair Value level:</u>				
US Government Securities	\$ 1,650,268	\$ 1,650,268	\$ -	\$ -
State & Local Government Securities	<u>83,068,054</u>	<u>83,068,054</u>	<u>-</u>	<u>-</u>
Total	<u>\$84,718,322</u>	<u>\$84,718,322</u>	<u>\$ -</u>	<u>\$ -</u>

The District estimates the fair value of these investments using inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

The District's investment in the TexPool, Lone Star and Texas Range (statewide 2a7-like external investment pools) are not required to be measured at fair value but are measured at amortized cost. There are no limitations or restrictions on participant withdrawals.

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NOTE 4. CAPITAL ASSETS

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

	Balance September 1	Additions/ Completions	Retirement/ Adjustments	Balance August 31
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 40,642,411	\$ -	\$ -	\$ 40,642,411
Construction in Progress	342,047,754	97,619,155	(334,553,839)	105,113,070
Total capital assets, not being depreciated	<u>382,690,165</u>	<u>97,619,155</u>	<u>(334,553,839)</u>	<u>145,755,481</u>
Capital assets, being depreciated:				
Buildings and Improvements	904,899,882	302,133,644	(10,201,182)	1,196,832,344
Furniture and Equipment	90,074,498	38,733,810	(166,674)	128,641,634
Right-to-Use Assets	19,024,315	3,011,471	-	22,035,786
Total capital assets, being depreciated	<u>1,013,998,695</u>	<u>343,878,925</u>	<u>(10,367,856)</u>	<u>1,347,509,764</u>
Less accumulated depreciation for:				
Buildings and Improvements	(254,452,486)	(20,079,075)	5,130,231	(269,401,330)
Furniture and Equipment	(68,507,735)	(4,944,031)	166,674	(73,285,092)
Right-to-Use Assets	(12,112,640)	(3,255,546)	-	(15,368,186)
Total accumulated depreciation	<u>(335,072,861)</u>	<u>(28,278,652)</u>	<u>5,296,905</u>	<u>(358,054,608)</u>
Total capital assets being depreciated, net	<u>678,925,834</u>	<u>315,600,273</u>	<u>(5,070,951)</u>	<u>989,455,156</u>
Governmental activities capital assets, net	<u>\$ 1,061,615,999</u>	<u>\$ 413,219,428</u>	<u>\$ (339,624,790)</u>	<u>\$ 1,135,210,637</u>

Depreciation expense was charged as direct expense to programs of the District as follows:

Governmental activities:	
Instruction	\$18,078,449
Instructional Resources & Media Services	306,302
Curriculum & Instructional Staff Development	401,157
Instructional Leadership	278,411
School Leadership	1,875,204
Guidance, Counseling & Evaluation Services	1,503,696
Health Services	374,491
Food Services	837,951
Cocurricular/Extracurricular Activities	902,928
General Administration	787,692
Plant Maintenance and Operations	1,811,938
Data Processing Services	695,659
Security & Monitoring Services	288,392
Community Services	136,382
Total depreciation expense-Governmental activities	<u>\$28,278,652</u>

Land and construction in progress are not depreciated.

NOTE 5. LONG-TERM DEBT

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

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
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Long-term debt of the District consists of twenty series of general obligation bonds, accreted interest on capital appreciation bonds, premiums/discounts on bond issuances, right-to-use lease liabilities and SBITA liabilities, and compensated absences. All long-term debt represents transactions in the District's governmental activities. No long-term debt exists in the District's business-type activities.

The following is a summary of the changes in the District's Long-term Debt for the year ended August 31, 2025:

Description	Interest Rate Payable	Amount Original Issue	Amounts Outstanding 9/1/2024	Additions	Refunded/ Retired	Amounts Outstanding 8/31/2025	Due Within One Year
Bonded Indebtedness:							
2010A Building	4.783%	12,445,000	\$ 12,445,000	\$ -	\$ -	\$ 12,445,000	\$ -
2011 Building	Variable	55,000,000	43,595,000	-	500,000	43,095,000	-
2013B Refunding	0.92-3.50%	8,605,000	4,775,000	-	470,000	4,305,000	485,000
2014A Refunding	2.00-5.00%	17,055,000	2,100,000	-	2,100,000	-	-
2014B Refunding	2.00-3.75%	3,635,000	2,080,000	-	200,000	1,880,000	210,000
2015 Refunding	1.31-5.00%	64,660,000	17,790,000	-	3,300,000	14,490,000	5,810,000
2015A Building	3.50-5.00%	25,605,000	9,850,000	-	-	9,850,000	-
2015B Refunding	2.00-5.00%	11,205,000	1,920,000	-	615,000	1,305,000	635,000
2016 Refunding	2.25-5.00%	157,515,000	132,340,000	-	6,090,000	126,250,000	6,390,000
2016A Refunding	3.00-5.00%	51,700,000	51,700,000	-	-	51,700,000	-
2016B Building	2.00-4.00%	4,400,000	3,705,000	-	245,000	3,460,000	255,000
2018 Building	3.00-5.00%	42,815,000	40,845,000	-	835,000	40,010,000	720,000
2018A Building	4.00-5.00%	39,775,000	38,245,000	-	820,000	37,425,000	865,000
2019 Building	3.00-5.00%	135,755,000	116,155,000	-	1,925,000	114,230,000	2,020,000
2020A Refunding	3.00-5.00%	62,100,000	58,460,000	-	840,000	57,620,000	890,000
2020B Refunding	1.672-5.00%	30,115,000	29,180,000	-	105,000	29,075,000	75,000
2020C Refunding	1.602-5.00%	59,935,000	58,035,000	-	565,000	57,470,000	3,385,000
2021 Building	2.25-5.00%	224,465,000	212,040,000	-	4,535,000	207,505,000	4,760,000
2022 Building	4.00-5.00%	187,740,000	182,285,000	-	3,220,000	179,065,000	3,380,000
2024 Building	4.00-5.00%	145,380,000	145,380,000	-	9,490,000	135,890,000	2,610,000
2025 Building	4.00-5.00%	266,275,000	-	266,275,000	-	266,275,000	-
Total Bonded Indebtedness			1,162,925,000	266,275,000	35,855,000	1,393,345,000	32,490,000
Lease Liabilities	2.50-4.50%		3,546,474	1,592,205	1,995,253	3,143,426	1,490,746
Subscription Liabilities	4.50%		3,456,377	1,419,266	1,195,932	3,679,711	1,040,068
Premiums/Discounts on Bond Issuance			118,431,908	11,891,784	6,871,205	123,452,487	7,007,297
Accreted Interest			1,394,364	25,636	705,000	715,000	715,000
Compensated Absences			1,443,024	37,815	-	1,480,839	-
Total Other Obligations			128,272,147	14,966,706	10,767,390	132,471,463	10,253,111
Total Obligations of District			\$ 1,291,197,147	\$ 281,241,706	\$ 46,622,390	\$ 1,525,816,463	\$ 42,743,111

The District issues general obligation bonds for the governmental activities to provide funds 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. Current principal and interest requirements are payable solely from future revenues of the Debt Service Fund which consists principally 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.

The District will pay a 4.00% interest rate on the Series 2011 variable rate bonds until July 31, 2027. For purposes of the debt service requirements disclosed in Note 8, a 5.00% interest rate is assumed thereafter.

There are a number of limitations and restrictions contained in the various general obligation bonds indentures. The District is in compliance with all significant limitations and restrictions at August 31, 2025.

In 2010 the District issued \$12,445,000 Series 2010A Qualified School Construction Bonds under a program of tax-credit bonds for school construction authorized by the American Recovery and Reinvestment Act. This program allows the District to receive an interest subsidy from the Federal government semiannually that was intended to pay 100% of the interest requirements on the bonds. Since October 1, 2015, however, sequestration reductions have reduced the subsidy received by 6.9% each year. The interest subsidies received during the current fiscal year have been shown in the accompanying financial statements as Federal revenue in the debt service fund.

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The debt agreement requires the District to deposit a specified amount annually on August 15 into a sinking fund for 9 years, beginning with the fiscal year ended August 31, 2019. Those sinking fund deposits will be used to retire the District's outstanding principal of \$12,445,000 upon maturity on August 15, 2027. The balance of the sinking fund at August 31, 2025 of \$9,445,000 is being held by the District as cash in the sinking fund and is presented as part of the District's debt service fund cash and cash equivalents in the accompanying financial statements.

NOTE 6. LEASES

During the year ended August 31, 2022, the District adopted GASB Statement No. 87 - Leases. This statement increased the usefulness of the District's financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

The District has entered into long-term agreements for the right-to-use copy machines and other technology equipment. No impairment related to losses were recognized by the District. The lease assets are amortized over the life of the agreements.

The District measured the lease liability at the present value of the original unpaid lease payments, discounted using the District's incremental borrowing rate, which has ranged from 2.50% to 4.50%. A summary of the lease activity for the year is shown below.

	Balance 8/31/2024	Additions	Retirements	Balance 8/31/2025
Right-to-Use Asset	\$ 13,001,261	\$ 1,592,205	\$ -	\$ 14,593,466
Less Accumulated Amortization	<u>(9,534,424)</u>	<u>(2,001,120)</u>	<u>-</u>	<u>(11,535,544)</u>
Total Right-to-Use Asset, Net	<u>\$ 3,466,837</u>	<u>\$ (408,915)</u>	<u>\$ -</u>	<u>\$ 3,057,922</u>
	Balance 8/31/2024	Additions	Retirements	Balance 8/31/2025
Lease Liability	<u>\$ 3,546,474</u>	<u>\$ 1,592,205</u>	<u>\$ (1,995,253)</u>	<u>\$ 3,143,426</u>
Total Lease Liability	<u>\$ 3,546,474</u>	<u>\$ 1,592,205</u>	<u>\$ (1,995,253)</u>	<u>\$ 3,143,426</u>

Future payment requirements under the leases as of August 31, 2025, are as follows:

Year Ended August 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$1,490,746	\$98,424	\$1,589,170
2027	1,244,642	48,604	1,293,246
2028	408,038	6,565	414,603
Thereafter	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$3,143,426</u>	<u>\$153,593</u>	<u>\$3,297,019</u>

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
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NOTE 7. SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

During the year ended August 31, 2023, the District adopted GASB Statement No. 96 – Subscription-Based Information Technology Arrangements (SBITAs). This statement increased the usefulness of the District's financial statements by requiring recognition of certain lease assets and liabilities for SBITAs that previously were classified as operating licenses or subscriptions and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

The District has entered into long-term agreements for the right-to-use various technology licenses and subscriptions. No impairment related to losses were recognized by the District. The SBITA assets are amortized over the life of the agreements.

The District measured the subscription liability at the present value of the original unpaid subscription payments, discounted using the District's incremental borrowing rate of 4.50%. A summary of the SBITA activity for the year is shown below.

	Balance 8/31/2024	Additions	Retirements	Balance 8/31/2025
Right-to-Use Asset	\$ 6,023,054	\$ 1,419,266	\$ -	\$ 7,442,320
Less Accumulated Amortization	<u>(2,578,216)</u>	<u>(1,254,426)</u>	<u>-</u>	<u>(3,832,642)</u>
Total Right-to-Use Asset, Net	<u>\$ 3,444,838</u>	<u>\$ 164,840</u>	<u>\$ -</u>	<u>\$ 3,609,678</u>

	Balance 8/31/2024	Additions	Retirements	Balance 8/31/2025
SBITA Liability	<u>\$ 3,456,377</u>	<u>\$ 1,419,266</u>	<u>\$ (1,195,932)</u>	<u>\$ 3,679,711</u>
Total SBITA Liability	<u>\$ 3,456,377</u>	<u>\$ 1,419,266</u>	<u>\$ (1,195,932)</u>	<u>\$ 3,679,711</u>

Future payment requirements under SBITAs as of August 31, 2025, are as follows:

Year Ended August 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$1,040,068	\$120,539	\$1,160,607
2027	985,646	97,867	1,083,513
2028	604,922	61,723	666,645
2029	322,023	39,834	361,857
2030	235,900	27,783	263,683
Thereafter	<u>491,152</u>	<u>24,162</u>	<u>515,314</u>
	<u>\$3,679,711</u>	<u>\$371,908</u>	<u>\$4,051,619</u>

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
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NOTE 8. DEBT SERVICE REQUIREMENTS - BONDS

Debt service requirements to maturity are as follows:

<u>Year Ended</u> <u>August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirements</u>
2026	\$ 32,490,000	\$ 58,440,793	\$ 90,930,793
2027	48,475,000	56,704,283	105,179,283
2028	40,530,000	54,781,501	95,311,501
2029	42,525,000	52,785,832	95,310,832
2030	44,505,000	50,808,632	95,313,632
2031-2035	233,080,000	224,130,898	457,210,898
2036-2040	252,840,000	175,269,318	428,109,318
2041-2045	267,010,000	122,361,552	389,371,552
2046-2050	288,625,000	64,738,527	353,363,527
2051-2055	<u>143,265,000</u>	<u>17,198,600</u>	<u>160,463,600</u>
	<u>\$1,393,345,000</u>	<u>\$877,219,936</u>	<u>\$2,270,564,936</u>

NOTE 9. DEFEASED BONDS OUTSTANDING

In prior years, the District issued refunding bonds to defease certain outstanding bonds for the purpose of consolidation and to achieve debt service savings. The District has placed the proceeds from the refunding issues in irrevocable escrow accounts with a trust agent to ensure payment of debt service on the refunded bonds.

Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. Although defeased, the refunded debt from those earlier issues will not be actually retired until the call dates have come due or until maturity if they are not callable issues. On August 31, 2025, \$500,000 of bonds outstanding are considered defeased.

NOTE 10. PROPERTY TAXES

The Texas Legislature in 1979 adopted a comprehensive Property Tax Code which established an appraisal district and an appraisal review board in each county in the State of Texas. Tarrant County Appraisal District (TCAD) is responsible for the appraisal of property for all taxing units in Tarrant County, including the District. Under the terms of a contract for appraisal services, the District paid TCAD \$1,025,654 in fiscal year 2025 for appraising property.

The District levies its taxes on October 1 on the assessed (appraised) 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. The appraisal and recording of all property within the District is the responsibility of the Tarrant County Appraisal District (TCAD), an independent government unit with a board of directors appointed by the taxing jurisdictions within the county and funded from assessments against those taxing jurisdictions. TCAD is required by law to assess property at 100% of its appraised value. Real property must be reappraised at least every two years. Under certain circumstances taxpayers and taxing units, including the District, may challenge orders of the TCAD Review Board through various appeals and, if necessary, legal action. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. The assessed value of the property tax roll upon which the levy for the 2024-25 fiscal year was based was \$15,675,052,822. Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to both penalty and interest charges at the rate of 1.5% per month of delinquency, plus 15 % delinquent collection fees for attorney costs.

The tax rates assessed for the year ended August 31, 2025, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were \$0.7469 and \$0.4988 per \$100 valuation, respectively, for a total of \$1.2457 per \$100 valuation.

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Current tax collections for the year ended August 31, 2025 were 99.65% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of August 31, 2025, property taxes receivable, net of estimated uncollectible taxes, totaled \$1,479,239 and \$749,028 for the General and Debt Service Funds, respectively.

Property taxes are recorded as receivables and unavailable revenues at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes become available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay current liabilities. Taxes not expected to be collected within sixty days of the fiscal year ending are recorded as deferred revenues and are recognized when they become available. Taxes collected prior to the levy date to which they apply are recorded as unavailable revenues and recognized as revenue of the period to which they apply.

NOTE 11. DEFINED BENEFIT PENSION PLAN

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

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

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

Benefits Provided. TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered under a previous rule. There are no automatic post-employment benefit changes, including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above. Accordingly, the 2023 Texas Legislature passed Senate Bill (SB) 10 and House Joint Resolution (HJR) 2 to provide eligible retirees with a one-time stipend and an ad hoc cost-of-living-adjustment (COLA).

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

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

Cost-of-Living Adjustment. A cost-of-living adjustment (COLA) was dependent on Texas voters approving a constitutional amendment (Proposition 9) to authorize the COLA. Voters approved the amendment in the November 2023 election and the following COLA was applied to eligible annuitants' payments beginning with their January 2025 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 System's actuary.

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

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

Contribution Rates

	<u>2025</u>
Member	8.25%
Non-Employer Contributing Entity (State)	8.25%
Employers	8.25%
Eagle Mountain-Saginaw ISD FY2025 Employer Contributions	\$ 7,693,953
Eagle Mountain-Saginaw ISD FY2025 Member Contributions	\$ 15,128,732
Eagle Mountain-Saginaw ISD FY2025 NECE On-Behalf Contributions	\$ 9,506,394

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 state agencies including the 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, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers including public schools are required to pay the employer contribution rate in the following instances:

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

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- When any part or all of an employee's salary is paid by federal funding source or a privately sponsored source, from non-educational and general, or local funds.
- All public schools must contribute 1.9 percent of the member's salary beginning in fiscal year 2024, gradually increasing to 2 percent in fiscal year 2025.

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

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Actuarial Assumptions. The total pension liability in the August 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

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 Investment Rate of Return	7.00%
Municipal Bond Rate as of August 2025	3.87%
Inflation	2.30%
Salary Increases Including Inflation	2.95% to 8.95%
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 21, 2023.

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

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

The long-term rate of return on pension plan investments is 7.00%.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2024 are summarized below:

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Asset Class	Target Allocation ¹	Long-Term Expected Arithmetic Real Rate of Return ²	Expected Contribution To Long-Term Portfolio Returns
Global Equity			
U.S.	18%	4.4%	1.00%
Non-U.S. Developed	13%	4.2%	0.80%
Emerging Markets	9%	5.2%	0.70%
Private Equity	14%	6.7%	1.20%
Stable Value			
Government Bonds	16%	1.9%	0.40%
Absolute Return ⁴	0%	4.0%	0.00%
Stable Value Hedge Funds	5%	3.0%	0.20%
Real Return			
Real Estate	15%	6.6%	1.20%
Energy, Natural Resources	6%	5.6%	0.40%
Commodities	0%	2.5%	0.00%
Risk Parity			
Risk Parity	8%	4.0%	0.40%
Leverage			
Cash	2%	1.0%	0.00%
Asset Allocation Leverage	-6%	1.3%	-0.10%
Inflation Expectation	-		2.40%
Volatility Drag ³	-		-0.70%
Total	<u>100%</u>		<u>7.90%</u>

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

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
Eagle Mountain-Saginaw ISD's proportionate share of the net pension liability:	\$122,054,533	\$81,638,808	\$48,033,100

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2025, Eagle Mountain-Saginaw Independent School District reported a liability of \$81,638,808 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Eagle Mountain-Saginaw Independent School District. The amount recognized by Eagle Mountain-Saginaw Independent School District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Eagle Mountain-Saginaw Independent School District were as follows:

District's Proportionate share of the collective net pension liability	\$81,638,808
State's proportionate share that is associated with the District	<u>103,044,150</u>
Total	<u>\$184,682,958</u>

¹ Target allocations are based on the FY24 policy model.

² Capital Market Assumptions come from 2024 SAA Study CMA Survey (as of 12/31/2023).

³ The volatility drag results from the conversion between arithmetic and geometric mean returns.

⁴ Absolute Return includes credit sensitive investments.

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

At August 31, 2024 the employer's proportion of the collective net pension liability was 0.1336496833%, an increase of 1.99% from its proportionate share of 0.13103835553% at 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 2025. 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, 2025. SB 10 and House Joint Resolution 2 (HRJ 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.

The amount of pension expense recognized by the District in the reporting period was \$7,146,221.

For the year ended August 31, 2025 Eagle Mountain-Saginaw Independent School District recognized pension expense of \$12,315,498 and revenue of \$12,315,498 for support by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 4,499,820	\$ 637,396
Changes in actuarial assumptions	4,215,186	565,112
Difference between projected and actual investment earnings	19,602,070	19,105,816
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	6,499,527	438,783
Contributions paid to TRS subsequent to the measurement date of the net pension liability	7,693,953	-
Total	\$42,510,556	\$20,747,107

Eagle Mountain-Saginaw Independent School District recognized \$7,693,953 as deferred outflows of resources related to pensions resulting the District's contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the measurement year ended August 31, 2025. 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:

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Measurement Year ended August 31:	Pension Expense Amount	
2025	\$ 2,121,971	
2026	10,714,776	
2027	2,340,219	
2028	(1,538,163)	
2029	430,693	
Thereafter	-	

NOTE 12. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

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

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

OPEB Plan Fiduciary Net Position. Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.texas.gov/learning-resources/publications>; by writing to TRS at Attention Finance Division, PO Box 149676, Austin, TX, 78714-0185; or by calling (800) 223-8778.

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 post-employment benefit changes; including automatic COLAs.

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

TRS-Care Monthly for Retirees		
	<u>Medicare</u>	<u>Non-Medicare</u>
Retiree*	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1,020	999

* or surviving spouse

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of salary. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public school. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act, which is 0.75 percent of each active employee's pay for fiscal year 2023. The following table shows contributions to the TRS-Care plan by type of contributor.

<u>Contribution Rates</u>	
	<u>2025</u>
Active Employee	0.65%
Non-Employer Contributing Entity (State)	1.25%
Employers	0.75%
Federal/private Funding remitted by Employers	1.25%
 Eagle Mountain-Saginaw ISD FY25 Employer Contributions	 \$1,558,844
Eagle Mountain-Saginaw ISD FY25 Member Contributions	\$1,191,351
Eagle Mountain-Saginaw ISD FY25 NECE On-behalf Contributions	\$1,918,439

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

Actuarial Assumptions. The actuarial valuation was performed as of August 31, 2023. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2024.

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The demographic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2021.

The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2023 TRS pension actuarial valuation that was rolled forward to August 31, 2024:

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

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 the mortality projection scale MP-2021.

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Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2023 rolled forward to August 31, 2024
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.87% as of August 31, 2024
Aging Factors	Based on the Society of Actuaries' 2013 Study "Health Care Costs – From Birth to Death"
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claim costs
Projected Salary Increases	2.95% to 8.95%, including inflation
Election Rates	Normal Retirement: 62% participation prior to age 65 and 25% participation after age 65
Ad hoc post-employment benefit changes	None

Discount Rate. A single discount rate of 3.87% was used to measure the total OPEB liability. This is a decrease of 0.26 percent in the discount rate since the previous year. Because the investments are held in cash and there is no intentional objective to advance fund the benefits, the single discount rate is equal to the prevailing municipal bond rate.

The source of the municipal bond rate is the Bond Buyer's "20-year GO Index" as of August 31, 2024 using the fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

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

	1% Decrease in Discount Rate (2.87%)	Current Single Discount Rate (3.87%)	1% Increase in Discount Rate (4.87%)
District's proportionate share of the Net OPEB Liability:	\$60,255,759	\$51,159,944	\$43,737,544

Healthcare Cost Trend Rates 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 health trend rates is assumed.

	1% Decrease in Healthcare Trend Rate	Current Single Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
District's proportionate share of the Net OPEB Liability:	\$42,127,654	\$51,159,944	\$62,780,009

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OPEB Liabilities, OPEB Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2025, the District reported a liability of \$51,159,944 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	\$51,159,944
State's proportionate share that is associated with the District	<u>\$64,102,716</u>
Total	<u>\$115,262,660</u>

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 the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2023 thru August 31, 2024.

At August 31, 2024 the employer's proportion of the collective Net OPEB Liability was 0.1685580286%, an increase of 1.29% compared to the August 31, 2023 proportionate share of 0.1664186777%.

Changes Since the Prior Actuarial Valuation – The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period:

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

Changes of Benefit Terms Since the Prior Measurement Date – There were no changes in benefit terms since the prior measurement date.

The amount of OPEB expense recognized by the District in the reporting period was \$4,449,781.

For the year ended August 31, 2025, the District recognized OPEB expense of \$(8,332,170) and revenue of \$(8,332,170) for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 9,805,644	\$ 25,531,586
Changes in actuarial assumptions	6,547,869	16,692,898
Difference between projected and actual investment earnings	49,069	192,333
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	10,911,825	-
Contributions paid to TRS subsequent to the measurement date	1,558,844	-
Total	\$28,873,251	\$42,416,817

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Eagle Mountain-Saginaw Independent School District recognized \$1,558,844 as deferred outflows of resources related to OPEB resulting from the District's contributions subsequent to the measurement date, which will be recognized as a reduction of the net OPEB liability in the measurement year ended August 31, 2025. The other amounts of the District's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Measurement Year ended August 31:	OPEB Expense Amount	
2025	\$ (5,127,246)	
2026	(2,810,158)	
2027	(4,010,867)	
2028	(3,024,125)	
2029	(1,305,443)	
Thereafter	1,175,429	

NOTE 13. MEDICARE PART D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare 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. These on-behalf payments are recognized as equal revenues and expenditures/expenses by the District. For the year ended August 31, 2025, the contribution made on behalf of the District was \$1,176,476.

NOTE 14. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2025, were as follows:

	Property Taxes	Other Governments	Due From Other Funds	Other	Total Receivables
Governmental Activities:					
General Fund	\$ 1,557,094	\$ 7,962,062	\$ 3,767,420	\$ 990,722	\$ 14,277,298
Debt Service Fund	788,451	20,896	-	-	809,347
Capital Projects Fund	-	-	4,111	-	4,111
Special Revenue Funds	-	1,817,089	-	14	1,817,103
Total - Governmental Activities	<u>\$ 2,345,545</u>	<u>\$ 9,800,047</u>	<u>\$ 3,771,531</u>	<u>\$ 990,736</u>	<u>\$ 16,907,859</u>
Amounts not scheduled for collection during the subsequent year	<u>\$ 117,278</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 117,278</u>

Payables at August 31, 2025, were as follows:

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	Accounts	Salaries and Benefits	Due to Other Funds	Other	Total Payables
Governmental Activities:					
General Fund	\$ 1,650,281	\$ 19,057,574	\$ -	\$ 50,516	\$ 20,758,371
Debt Service Fund	-	-	36,310	-	36,310
Capital Projects Fund	27,163,482	-	71,781	-	27,235,263
Special Revenue Funds	881,471	816,368	3,663,440	-	5,361,279
Total - Governmental Activities	<u>\$ 29,695,234</u>	<u>\$ 19,873,942</u>	<u>\$ 3,771,531</u>	<u>\$ 50,516</u>	<u>\$ 53,391,223</u>
Amounts not scheduled for payment during the subsequent year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 15. INTERFUND BALANCES AND TRANSFERS

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

<u>Fund</u>	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
<u>General Fund</u>		
Special Revenue Funds:		
ESEA Title I Improving Basic Program	\$ 33,707	\$ -
IDEA - Part B, Formula	43,072	-
Child Nutrition	1,686,256	-
ESEA, Title II, Training and Recruiting	166,860	-
ESEA, Title III, English Lang Acquisition	1,867	-
Career and Technical - Basic Grant	799	-
Medicaid Admin Claim	176,621	-
ESEA, Title IV, Part A	3,418	-
IDEA - Part B, Preschool	1,584	-
State Instructional Materials	1,707,226	-
School Safety and Security Grants	989	-
Total	3,663,440	-
Debt Service Fund	36,310	-
Capital Projects Fund	71,781	-
Total General Fund	<u>3,771,531</u>	<u>-</u>
<u>Special Revenue Fund</u>		
General Fund	-	3,663,440
Total Special Revenue Fund	<u>-</u>	<u>3,663,440</u>
<u>Capital Projects Fund</u>		
General Fund	-	71,781
Total Capital Projects Fund	<u>-</u>	<u>71,781</u>
<u>Debt Service Fund</u>		
General Fund	-	36,310
Total Debt Service Fund	<u>-</u>	<u>36,310</u>
Total	<u>\$3,771,531</u>	<u>\$3,771,531</u>

Virtually all of the above interfund balances are short-term loans due to the fact that checking account balances for most governmental funds are pooled into one demand account. There are no interfund balances that are not expected to be repaid within one year.

There were no interfund transfers during the year ended August 31, 2025.

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NOTE 16. DUE FROM OTHER GOVERNMENTS

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

Fund	Local	State Entitlements	Federal Grants	Total
General	\$ 1,795,823	\$ 6,146,462	\$ 19,777	\$ 7,962,062
Special Revenue	-	301,585	1,515,504	1,817,089
Capital Projects Fund	-	-	-	-
Debt Service	-	20,896	-	20,896
Total	<u>\$ 1,795,823</u>	<u>\$ 6,468,943</u>	<u>\$ 1,535,281</u>	<u>\$ 9,800,047</u>

NOTE 17. CONTINGENT LIABILITIES

The Tax Reform Act of 1986 imposed regulations on tax-exempt bond issues. Governmental bonds issued after August 31, 1986 are subject to the rebate provisions of the Tax Reform Act of 1986. The rebate applies to earnings from bond issue proceeds investments which exceed bond issue stated interest rates. The exact amount of liability, if any, will not be known until as long as five years from the bond issuance date. At August 31, 2025, the estimated rebate liability on outstanding bond series was \$3,344,493.

NOTE 18. LITIGATION AND CONTINGENCIES

The District is a party to various legal actions none of which is believed by administration to have a material effect on the financial condition of the District. Accordingly, no provision for losses has been recorded in the accompanying combined financial statements for such contingencies.

Minimum foundation funding received from the Agency is based primarily upon information concerning average daily attendance at the District's schools which is compiled by the District and supplied to the Agency. Federal funding for Food Services under child nutrition programs is based primarily upon the number and type of meals served and on user charges as reported to the USDA. Federal and state funding received related to various grant programs are based upon periodic reports detailing reimbursable expenditures made in compliance with program guidelines to the grantor agencies.

The programs are governed by various statutory rules and regulations of the grantors. Amounts received and receivable under these various funding programs are subject to periodic audit and adjustment by the funding agencies. To the extent, if any, that the District has not complied with all the rules and regulations with respect to performance, financial or otherwise, adjustment to or return of funding monies may be required. In the opinion of the District's administration, there are no significant contingent liabilities relating to matters of compliance and, accordingly, no provision has been made in the financial statements for such contingencies.

The Tarrant County Appraisal District is a defendant in various lawsuits involving the property values assigned to property located within the District's boundaries on which the District assesses property taxes. The District could be required to refund property taxes paid on values which were greater than the ultimate final assessed valuation assigned by the court. Such lawsuits could continue several years into the future.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

NOTE 19. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
Property taxes	\$ 116,033,174	\$ -	\$ 77,606,466	\$ -	\$ 193,639,640
Investment income	4,684,897	312,910	2,463,546	8,429,504	15,890,857
Food sales	-	5,264,679	-	-	5,264,679
Penalties, interest and other tax related income	478,341	-	242,170	-	720,511
Co-curricular student activities	509,145	1,855,669	-	-	2,364,814
Tuition and fees	67,085	-	-	-	67,085
Gifts and bequests	15,000	126,734	-	-	141,734
Facilities rentals	176,859	-	-	-	176,859
VIT overage	383,285	-	-	-	383,285
Rebates	209,816	-	-	-	209,816
Insurance proceeds	3,454	-	-	-	3,454
Other	156,573	-	-	-	156,573
Total	<u>\$ 122,717,629</u>	<u>\$ 7,559,992</u>	<u>\$ 80,312,182</u>	<u>\$ 8,429,504</u>	<u>\$ 219,019,307</u>

NOTE 20. UNEARNED REVENUE

Unearned revenue at year-end consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Total
Lunchroom Receipts	\$ -	\$ 329,384	\$ -	\$ 329,384
State Instructional Materials	-	1,987,058	-	1,987,058
AP Incentives	-	5,761	-	5,761
Read to Succeed	-	15,594	-	15,594
Other State Funds	-	5,410	-	5,410
Total	<u>\$ -</u>	<u>\$ 2,343,207</u>	<u>\$ -</u>	<u>\$ 2,343,207</u>

NOTE 21. EXCESS OF EXPENDITURES OVER APPROPRIATIONS BY FUNCTION

The Texas Education Agency requires the budgets for the Governmental fund types to be filed with the Texas Education Agency. The budget should not be exceeded in any functional category under TEA requirements. Expenditures exceeded appropriations in no functional categories for the year ended August 31, 2025.

NOTE 22. SHARED SERVICE ARRANGEMENTS

The District participates in a shared services arrangement for deaf education services with several other school districts. Although the District contributes to the shared services arrangement based on its participation, the District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Eagle Mountain-Saginaw ISD. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. During the year ended August 31, 2025, the District contributed \$113,676 to the fiscal agent as its share of the costs of the joint venture.

EAGLE MOUNTAIN-SAGINAW INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2025

The District participates in a shared services arrangement for juvenile justice alternative education services with several other school districts. Although the District contributes to the shared services arrangement based on its participation, the District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant resources nor fiscal exigencies that would give rise to a future additional benefit or burden to Eagle Mountain-Saginaw ISD. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. During the year ended August 31, 2025, the District contributed \$12,126 to the fiscal agent as its share of the costs of the joint venture.

NOTE 23. DEFERRED CHARGES ON BOND REFUNDINGS

The District's deferred charge on bond refundings are as follows:

Balance – August 31, 2024	\$34,862,481
Current year amortization	<u>(2,653,267)</u>
Balance – August 31, 2025	<u>\$32,209,214</u>

NOTE 24. SUBSEQUENT EVENT

On November 15, 2025 the District issued \$112,275,000 of Series 2025-A unlimited tax refunding bonds to defease \$123,250,000 of Series 2016 unlimited tax refunding bonds.

NOTE 25. EXTRAORDINARY ITEMS

Extraordinary item resources and uses shown in the Statement of Revenues, Expenditures and Changes in Fund Balances consists of insurance proceeds and subsequent repair costs of \$736,830 related to substantial vandalism that occurred at an elementary school during a period of renovations. Extraordinary item resources also includes a receipt of \$10,118,725 from the Department of the Treasury for various energy rebates related to the construction of the District's newest high school.

NOTE 26. RESTATEMENT

In June 2022, GASB issued GASB Statement No. 101, "Compensated Absences," which was effective for fiscal years beginning after December 15, 2023. In compliance with this accounting pronouncement, a liability has been recognized in the District's statements of net position for unused compensated absences more likely than not (a likelihood of more than 50%) to be used by or paid to employees in future periods. Under previous accounting rules, a liability for compensated absences would have been recorded only if accumulated benefits were to be paid upon employee termination or retirement.

Texas state law provides a minimum personal leave program consisting of five days per year personal leave with no limit on accumulation and transferability among Texas school districts. School districts can provide additional personal leave beyond this minimum, and the District provides seven days per year of local leave. The District pays employees who retire or separate from the District a portion of their unused local leave because on years of experience with the District. In addition, certain District employees earn vacation leave each year that can be used after the end of the District's fiscal year and prior to the end of the calendar year. The District has determined that there are unused accumulated leave hours that require recording in the financial statements as a result of this change, and the 8/31/24 balance of \$1,443,024 has been recorded as a reduction of beginning net position. The implementation of this accounting standard resulted in a restated beginning net position in the District's governmental activities as follows:

Net position as of 8/31/24 as previously reported	\$17,644,204
Restatement adjustment – change in accounting principle to record a liability for compensated absences	<u>(1,443,024)</u>
Net position as of 8/31/24 as restated.	<u>\$16,201,180</u>