

PRELIMINARY OFFICIAL STATEMENT
Dated February 26, 2026

Ratings: Moody's: "Aaa"
S&P: "AAA"

PSF: Conditionally Approved
(See "OTHER INFORMATION – Ratings,"
"THE PERMANENT SCHOOL FUND
GUARANTEE PROGRAM" and APPENDIX E)

NEW ISSUE – Book-Entry-Only

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

\$545,000,000*

LAMAR CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
(Fort Bend County, Texas)
UNLIMITED TAX SCHOOLHOUSE BONDS, SERIES 2026

Dated Date: March 1, 2026

Due: February 15, as shown on page ii

Interest to Accrue from Date of Delivery (defined below)

The Lamar Consolidated Independent School District (the "District") is issuing its \$545,000,000* Unlimited Tax Schoolhouse Bonds, Series 2026 (the "Bonds"). Interest on the Bonds will accrue from their date of initial delivery to the underwriters listed below (the "Underwriters") and will be payable on February 15 and August 15 of each year, commencing August 15, 2026, until stated maturity or prior redemption. Interest accruing on the Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar (defined below) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A. See "THE BONDS – Paying Agent/Registrar" herein.

The Bonds are 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 45, Texas Education Code, as amended, an election held within the District on November 4, 2025, and an order approved by the Board of Trustees (the "Board") of the District on January 20, 2026, authorizing the issuance of the Bonds (the "Bond Order"). The Bond Order authorizes certain District officers to complete the sale of the Bonds through the execution of a pricing certificate (the "Pricing Certificate" and, together with the Bond Order, the "Order"). The Bonds constitute direct obligations of the District, payable from a continuing and direct annual ad valorem tax levied, without legal limit as to rate or amount, on all taxable property located within the District, as provided in the Order. See "THE BONDS – Authority for Issuance." The District has made application for and received conditional approval from the Texas Education Agency for the payment of the principal of, and interest on, the Bonds to be guaranteed by the Permanent School Fund Guarantee Program of the State. See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and APPENDIX E.

The District reserves the right, at its option, to redeem the Bonds having stated maturities on and after February 15, 20__ in whole or from time to time in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 20__ or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. See "THE BONDS – Optional Redemption" herein. If two or more consecutive maturities are combined to create one or more term bonds (the "Term Bonds"), such Term Bonds will additionally be subject to mandatory sinking fund redemption as described herein. See "THE BONDS – Mandatory Sinking Fund Redemption" herein.

Proceeds from the sale of the Bonds will be used for the (i) designing, constructing, renovating, improving, upgrading, updating, acquiring, and equipping school facilities (and any necessary or related removal of existing facilities), including new elementary schools, new middle schools, new junior high schools, new high schools, District-wide renovations, additions, safety and security improvements, roof and HVAC replacements, the necessary sites for school facilities, and the purchase of new school buses and vehicles; (ii) acquiring and updating instructional technology equipment, including student and staff desktops, laptops, monitors, and tablets to replace current technology devices; (iii) acquiring and updating instructional technology equipment, including student laptops which would allow the District to implement a Student Device Initiative; and (iv) costs of issuing the Bonds. See "PLAN OF FINANCING – Purpose" herein.

CUSIP PREFIX: 513174

MATURITY, INTEREST RATES, INITIAL REOFFERING YIELDS & 9 DIGIT CUSIP NUMBERS

See Maturity Schedule on Page ii

The Bonds are offered for delivery when, as and if issued and received by the Underwriters and subject to the approving opinion of the Attorney General of Texas and the opinion of Norton Rose Fulbright US LLP, Austin and Houston, Texas, Bond Counsel. See "APPENDIX C - FORM OF BOND COUNSEL'S OPINION." Certain legal matters will be passed upon for the Underwriters by The Bates Law Firm, PLLC and Orrick, Herrington & Sutcliffe LLP, Co-Counsel for the Underwriters. It is expected that the Bonds will be available for delivery through DTC on or about March 24, 2026* (the "Date of Delivery").

RBC CAPITAL MARKETS

RAYMOND JAMES
TRB CAPITAL MARKETS

BOK FINANCIAL SECURITIES, INC.
SIEBERT WILLIAMS SHANK

JEFFERIES LLC
STIFEL, NICOLAUS & CO.

* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. These securities may not be sold nor may offers to buy 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.

MATURITY SCHEDULE

\$545,000,000*

**LAMAR CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
(Fort Bend County, Texas)
UNLIMITED TAX SCHOOLHOUSE BONDS, SERIES 2026**

Maturity (2/15) ⁽¹⁾	Principal Amount*	Interest Rate	Initial Reoffering Yield ⁽²⁾	CUSIP No. ⁽³⁾	Maturity (2/15) ⁽¹⁾	Principal Amount*	Interest Rate	Initial Reoffering Yield ⁽²⁾	CUSIP No. ⁽³⁾
2028	\$3,620,000	%	%		2045	\$18,005,000	%	%	
2029	3,785,000				2046	18,815,000			
2030	3,955,000				2047	19,660,000			
2031	4,135,000				2048	20,545,000			
2032	4,320,000				2049	21,470,000			
2033	4,515,000				2050	22,440,000			
2034	4,715,000				2051	23,445,000			
2035	4,930,000				2052	24,505,000			
2036	5,150,000				2053	25,605,000			
2037	5,385,000				2054	26,755,000			
2038	5,625,000				2055	27,960,000			
2039	5,880,000				2056	29,220,000			
2040	6,140,000				2057	30,535,000			
2041	6,420,000				2058	31,910,000			
2042	6,710,000				2059	33,345,000			
2043	7,010,000				2060	34,845,000			
2044	17,230,000				2061	36,415,000			

(Interest accrues from the Date of Delivery)

* Preliminary, subject to change.

- (1) The Bonds maturing on and after February 15, 20__, are subject to optional redemption, in whole or from time-to-time in part, on February 15, 20__, or any date thereafter, at a price equal to the par value thereof, plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS – Optional Redemption" herein. If two or more consecutive maturities are combined to create one or more term bonds ("Term Bonds"), such Term Bonds will additionally be subject to mandatory sinking fund redemption as provided herein. See "THE BONDS – Mandatory Sinking Fund Redemption."
- (2) The initial yields are established by, and are the sole responsibility of the Underwriters and may subsequently be changed.
- (3) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of The American Bankers Association and CUSIP numbers are included solely for convenience of the registered owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the District, the Financial Advisor, nor the Underwriters is responsible for the selection or correctness of the CUSIP numbers set forth herein.

USE OF INFORMATION IN THIS OFFICIAL STATEMENT

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

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

No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon.

The information set forth herein has been obtained from the District and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described.

None of the District, the Underwriters, or the Financial Advisor (hereafter defined) makes any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company (“DTC”) or its Book-Entry-Only System or the affairs of the Texas Education Agency (“TEA”) described in “APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM,” as such information has been provided by DTC and TEA, respectively.

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

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

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

INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INVESTMENT DECISION.

THIS OFFICIAL STATEMENT CONTAINS “FORWARD-LOOKING” STATEMENTS. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM THE FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS. See “OTHER INFORMATION – Forward Looking Statements” herein.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for any purpose.

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

OFFICIAL STATEMENT SUMMARY

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

The District	The Lamar Consolidated Independent School District (the “District”) is a political subdivision of the State of Texas (the “State”) located in Fort Bend County, Texas. The District is approximately 385 square miles in area. See “INTRODUCTION – Description of the District.”
The Bonds	The \$545,000,000* Lamar Consolidated Independent School District Unlimited Tax Schoolhouse Bonds, Series 2026 (the “Bonds”) mature on February 15 in each of the years 20__ through 20__, inclusive, in the amounts indicated on page ii of this Official Statement, unless the underwriters listed on the cover page hereof (the “Underwriters”) designate one or more maturities as Term Bonds (defined below). See “THE BONDS – Description of the Bonds.”
Payment of Interest	Interest on the Bonds will accrue from their date of initial delivery to the Underwriters and will be payable on February 15 and August 15 of each year, commencing August 15, 2026, until stated maturity or prior redemption. See “THE BONDS – Description of the Bonds.”
Authority for Issuance	The Bonds are issued pursuant to the Constitution and general laws of the State, including particularly Chapter 1371, Texas Government Code, as amended, Chapter 45, Texas Education Code, as amended, an election held within the District on November 4, 2025, and an order approved by the Board of Trustees (the “Board”) of the District on January 20, 2026, authorizing the issuance of the Bonds (the “Bond Order”). The Bond Order authorizes certain District officers to complete the sale of the Bonds through the execution of a pricing certificate (the “Pricing Certificate” and, together with the Bond Order, the “Order”). See “THE BONDS – Authority for Issuance.”
Security for the Bonds	The Bonds are direct obligations of the District, payable from an annual ad valorem tax levied, without legal limit as to maximum rate or amount, on all taxable property located within the District, as provided in the Order. See “THE BONDS – Security and Source of Payment.” Also see “STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS” and “CURRENT PUBLIC SCHOOL FINANCE SYSTEM” for a discussion of recent developments in State law affecting the financing of school districts in the State. Additionally, an application has been filed with, and the District has received conditional approval from, the Texas Education Agency for the payment of the Bonds to be guaranteed by the corpus of the Permanent School Fund of the State. See “THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” and APPENDIX E.
Use of Proceeds	Proceeds from the sale of the Bonds will be used for the (i) designing, constructing, renovating, improving, upgrading, updating, acquiring, and equipping school facilities (and any necessary or related removal of existing facilities), including new elementary schools, new middle schools, new junior high schools, new high schools, District-wide renovations, additions, safety and security improvements, roof and HVAC replacements, the necessary sites for school facilities, and the purchase of new school buses and vehicles; (ii) acquiring and updating instructional technology equipment, including student and staff desktops, laptops, monitors, and tablets to replace current technology devices; (iii) acquiring and updating instructional technology equipment, including student laptops which would allow the District to implement a Student Device Initiative; and (iv) costs of issuing the Bonds. See “PLAN OF FINANCING – Purpose” herein.
Redemption	The District reserves the right, at its option, to redeem the Bonds having stated maturities on and after February 15, 20__, in whole or from time to time in part, in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 20__ or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. See “THE BONDS – Optional Redemption.” If two or more consecutive maturities are combined to create one or more term bonds (the “Term Bonds”), such Term Bonds will additionally be subject to mandatory sinking fund redemption as described herein. See “THE BONDS – Mandatory Sinking Fund Redemption.”
Tax Matters	In the opinion of Bond Counsel (identified below), assuming continuing compliance by the District (defined below) after the date of initial delivery of the Bonds (defined below) with certain covenants contained in the Order (defined below) and subject to the matters set forth under “TAX MATTERS” herein, interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income of the owners thereof pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Bonds, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. See “TAX MATTERS.”

* Preliminary, subject to change.

Ratings

The Bonds are rated “Aaa” by Moody’s Ratings (“Moody’s”) and “AAA” by S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC (“S&P”) by virtue of the guarantee of the Permanent School Fund of the State of Texas. See “THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” and APPENDIX E. The presently outstanding unenhanced tax-supported debt of the District is rated “Aa3” by Moody’s and “AA-” by S&P. An explanation of the significance of such ratings may be obtained from Moody’s and S&P. The ratings reflect only the respective views of such organizations and the District makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, by either of them, may have an adverse effect on the market price of the Bonds. See “OTHER INFORMATION – Ratings.”

Paying Agent/Registrar

The initial paying agent/registrar for the Bonds is The Bank of New York Mellon Trust Company, N.A. (the “Paying Agent/Registrar”). See “THE BONDS – Paying Agent/Registrar.”

Book-Entry-Only System

The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York (“DTC”), pursuant to the Book-Entry-Only System described herein. The Bonds will be issued in principal denominations of \$5,000 or any integral multiple thereof within a maturity. No physical delivery of the Bonds will be made to the beneficial owners thereof. The principal of the Bonds at maturity or on a prior redemption date and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “BOOK-ENTRY-ONLY SYSTEM.”

Payment Record

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

Selected Financial Information

Fiscal Year Ended 8/31	Estimated Population ⁽²⁾	Taxable Assessed Valuation ⁽³⁾	Taxable Assessed Valuation per Capita	Taxable Supported Debt Outstanding at End of Year	Ratio of Tax Supported Debt to Tax Supported Debt per Capita	
					Assessed Valuation	Tax Supported Debt per Capita
2022	201,556	\$ 20,842,717,348	\$ 103,409	\$ 1,705,940,000	8.18%	\$ 8,464
2023	213,772	25,312,808,968	118,410	2,834,465,000	11.20%	13,259
2024	226,811	26,573,258,566	117,160	3,114,890,000	11.72%	13,733
2025	243,137	31,195,145,068	128,303	3,058,595,000	9.80%	12,580
2026 ⁽¹⁾	252,518	28,610,945,363 ⁽⁴⁾	113,303	3,568,560,000 ⁽⁵⁾	12.47% ⁽⁵⁾	14,132 ⁽⁵⁾

(1) The District changed its fiscal year end to June 30 beginning with its fiscal year ending June 30, 2026.

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

(3) Established by Fort Bend Central Appraisal District, subject to change during the ensuing year.

(4) See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - 2025 Legislative Session" for a discussion related to legislative increases in ad valorem tax exemptions.

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

General Fund Consolidated Statement Summary

	Fiscal Year Ended August 31,				
	2025	2024	2023	2022	2021
Beginning General Fund	\$ 100,462,303	\$ 92,548,924	\$ 81,174,584	\$ 76,558,320	\$ 76,166,000
Plus: Total Revenues & Other Sources	474,949,128	446,078,155	410,637,111	379,686,933	342,875,250
Less: Total Expenditures & Other Uses	(479,436,386)	(438,164,776)	(399,262,771)	(375,070,669)	(342,482,930)
Ending General Fund ⁽¹⁾	\$ 95,975,045	\$ 100,462,303	\$ 92,548,924	\$ 81,174,584	\$ 76,558,320

Source: The District’s audited financial statements.

(1) The District changed its fiscal year end to June 30 beginning with its fiscal year ending June 30, 2026. The District anticipates its General Fund balance for the fiscal year ending June 30, 2026 to be approximately \$4,000,000 (unaudited).

OFFICIALS, STAFF AND CONSULTANTS

LAMAR CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

Elected Officials

Name	Title	Service Began (May)	Term Expires (May)	Occupation
Jacci Hotzel	President	2023	2027	Owner, Shop Bright Faith
Jon Welch	Vice President	2019	2027	Marketing Director and Meeting Planner
Suzanne Box	Secretary	2023	2027	Software Development
Vanessa Marsters	Member	2025	2029	Operations Director
Zach Lambert	Member	2021	2029	Area Manager, Mercy Goods
Monica Henderson	Member	2025	2029	Education
George Arroyos	Member	2025	2029	Relationship Management

Select Administrative Staff

Name	Position	Length of Service Within District
Dr. Roosevelt Nivens	Superintendent	5 Years with the District 30 Years in School Administration
Jill R. Ludwig, CPA RTSBA	Chief Financial Officer	36 Years with the District 10 years in Public Accounting

Consultants and Advisors

Auditors Whitley Penn LLP
Houston, Texas

Bond Counsel Norton Rose Fulbright US LLP
Austin and Houston, Texas

Financial Advisor Post Oak Municipal Advisors LLC
Houston, Texas

For additional information regarding the District, please contact:

Ms. Jill Ludwig Chief Financial Officer Lamar Consolidated Independent School District 3911 Avenue I Rosenberg, Texas 77471-3960 (832) 223-0150	or	Mr. Terrell Palmer President Post Oak Municipal Advisors LLC 820 Gessner Road, Suite 1350 Houston, Texas 77024 (713) 328-0990
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PRELIMINARY OFFICIAL STATEMENT RELATING TO
\$545,000,000*
LAMAR CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
(Fort Bend County, Texas)
UNLIMITED TAX SCHOOLHOUSE BONDS, SERIES 2026

INTRODUCTION

This Official Statement, which includes the cover page and Appendices hereto, provides certain information regarding the issuance of the \$545,000,000* Lamar Consolidated Independent School District Unlimited Tax Schoolhouse Bonds, Series 2026 (the “Bonds”). Except as otherwise indicated herein, capitalized terms used in this Official Statement have the same meanings assigned to such terms in an order adopted by the Board of Trustees (the “Board”) of the Lamar Consolidated Independent School District (the “District”) on January 20, 2026, authorizing the issuance of the Bonds (the “Bond Order”), and a pricing certificate (the “Pricing Certificate”) to be executed by an authorized official of the District on the date of sale of the Bonds pursuant to the Bond Order. The Bond Order and the Pricing Certificate are collectively referred to herein as the “Order.”

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

There follows in this Official Statement descriptions of the Bonds and certain information regarding the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained by writing the Lamar Consolidated Independent School District, 3911 Avenue I, Rosenberg, Texas 77471-3960, and, during the offering period, from the District’s Financial Advisor, Post Oak Municipal Advisors LLC, 820 Gessner Road, Suite 1350, Houston, Texas 77024, upon payment of reasonable copying, mailing, and handling charges.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of the final Official Statement pertaining to the Bonds will be filed with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access System (“EMMA”). See “CONTINUING DISCLOSURE OF INFORMATION” for a description of the District’s undertaking to provide certain information on a continuing basis.

Description of the District

The District is a political subdivision of the State of Texas (the “State”) located in Fort Bend County, Texas. The District is governed by the seven-member Board who serve staggered four-year terms with elections being held in May of each odd-numbered year. Policymaking and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools, who is the chief administrative officer of the District. Support services are supplied by consultants and advisors. The District covers approximately 385 square miles in Fort Bend County and includes the vast majority of the Cities of Richmond, Rosenberg and Beasley along with a portion of Sugar Land, Fulshear and other unincorporated areas within Fort Bend County. An estimated 252,518 people live within the District’s boundaries.

PLAN OF FINANCING

Purpose

Proceeds from the sale of the Bonds will be used for the (i) designing, constructing, renovating, improving, upgrading, updating, acquiring, and equipping school facilities (and any necessary or related removal of existing facilities), including new elementary schools, new middle schools, new junior high schools, new high schools, District-wide renovations, additions, safety and security improvements, roof and HVAC replacements, the necessary sites for school facilities, and the purchase of new school buses and vehicles; (ii) acquiring and updating instructional technology equipment, including student and staff desktops, laptops, monitors, and tablets to replace current technology devices; (iii) acquiring and updating instructional technology equipment, including student laptops which would allow the District to implement a Student Device Initiative; and (iv) costs of issuing the Bonds. See “PLAN OF FINANCING – Purpose” herein.

* Preliminary, subject to change.

Sources and Uses of Funds

The proceeds of the Bonds are expected to be applied approximately as follows:

<u>Sources of Funds:</u>	
Principal Amount	\$
[Net] Reoffering Premium/(Discount)	
Transfer from Debt Service Fund	
Total	\$ _____
 <u>Uses of Funds:</u>	
Deposit to Construction Fund	\$
Underwriters' Discount	
Costs of Issuance ⁽¹⁾	
Total	\$ _____

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

THE BONDS

Description of the Bonds

The Bonds are dated March 1, 2026, and mature on February 15 in each of the years and in the principal amounts shown on page ii hereof. Interest will be computed on the basis of a 360-day year of twelve 30-day months, will accrue from their date of initial delivery (the "Date of Delivery") to the Underwriters and will be payable on February 15 and August 15 of each year, commencing August 15, 2026, until stated maturity or prior redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 of principal for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM."

Authority for Issuance

The Bonds are issued pursuant to the Constitution and general laws of the State, including particularly Chapter 1371, Texas Government Code, as amended, Chapter 45, Texas Education Code, as amended, an election held within the District on November 4, 2025, and an order approved by the Board of Trustees (the "Board") of the District on January 20, 2026, authorizing the issuance of the Bonds (the "Bond Order"). The Bond Order authorizes certain District officers to complete the sale of the Bonds through the execution of a pricing certificate (the "Pricing Certificate" and, together with the Bond Order, the "Order").

Security and Source of Payment

The Bonds are direct obligations of the District, payable from an annual ad valorem tax levied, without legal limit as to maximum rate or amount, on all taxable property located within the District, as provided in the Order. In addition, the District has received approval, subject to certain conditions, for the Bonds to be guaranteed by the Permanent School Fund Guarantee Program of the State. See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM," "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" herein, and APPENDIX E.

Permanent School Fund Guarantee

In connection with the sale of the Bonds, the District has submitted an application to the Texas Education Agency, and has received conditional approval from the Commissioner of Education, for the guarantee of the Bonds under the Guarantee Program for School District Bonds (Chapter 45, Subchapter C, of the Texas Education Code, as amended). Subject to meeting certain conditions discussed in "APPENDIX E – THE PERMANENT SCHOOL FUND

GUARANTEE PROGRAM” herein, the Bonds will be guaranteed by the corpus of the Permanent School Fund of the State in accordance with the terms of the Guarantee Program for School District Bonds. In the event of default, registered owners will receive all payments due from the corpus of the Permanent School Fund.

In the event the District defeases any of the Bonds, the payment of such defeased Bonds will cease to be guaranteed by the Permanent School Fund of the State. See “THE BONDS – Defeasance” herein.

Optional Redemption

The District reserves the right, at its option, to redeem the Bonds having stated maturities on and after February 15, 20___, in whole or from time to time in part, in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 20___ or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the District shall determine the maturities (or mandatory sinking fund redemption amounts within a maturity with respect to Term Bonds (as defined below)) and the principal amount thereof to be redeemed and direct the Paying Agent/Registrar (hereafter defined) to call by lot or other customary random selection method such Bonds or portions thereof within a maturity (or mandatory sinking fund redemption amounts within a maturity with respect to Term Bonds) for redemption. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

Mandatory Sinking Fund Redemption*

The Bonds maturing on February 15, 20___ (the “Term Bonds”) are subject to mandatory redemption prior to stated maturity on February 15 in each of the years and respective principal amounts set forth below at a redemption price equal to 100% of the principal amount plus accrued interest to the date of redemption:

<u>Term Bonds due February 15, 20__</u>	
<u>Redemption Date</u> <u>(February 15)</u>	<u>Principal</u> <u>Amount</u>
	\$

The principal amount of the Term Bonds required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option of the District, by the principal amount of any Term Bonds of such stated maturity which, at least 50 days prior to the mandatory redemption date (1) shall have been defeased or acquired by the District and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the District with money in the Bond Fund, or (3) shall have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against a mandatory redemption requirement.

Notice of Redemption

Not less than 30 days prior to a redemption date for the Bonds, the District shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the Owners of the Bonds to be redeemed at the address of the Owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. The notice shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment, and, if less than all the Bonds outstanding are to be redeemed, an identification of the Bonds or portions thereof to be redeemed.

ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF

* Preliminary, subject to change.

HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

Defeasance*

The Order provides for the defeasance of the Bonds when the payment of the principal of and premium, if any, on the Bonds, 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 other authorized escrow agent, in trust (1) money sufficient to make such payment, (2) Government Obligations (defined below) that mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds, or (3) a combination of money and Government Obligations sufficient to make such payment. The sufficiency of deposits hereinbefore described shall be certified by an independent certified accountant, the District's Financial Advisor, the Paying Agent/Registrar, or some other qualified financial institution as specified in the Order. The District has additionally reserved the right in the Order, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Obligations for the Government Obligations originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the District money in excess of the amount required for such defeasance. The Order provides that "Government Obligations" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date 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, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and, 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, or (d) any additional securities and obligations hereafter authorized by Texas law as eligible for use to accomplish the discharge of obligations such as the Bonds. District officials may restrict such eligible securities as deemed appropriate. There is no assurance that the ratings for U.S. Treasury securities acquired to defease any Bonds, or those for any other Government Obligations, will be maintained at any particular rating category. Further, there is no assurance that current Texas law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of those securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Bonds ("Defeasance Proceeds"), though the District has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Order does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the District to use lawfully available Defeasance Proceeds to defease all or any portion of the Bonds, registered owners of Bonds are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, defeasance securities may not be of the same investment quality as those currently identified Texas law as permissible defeasance securities.

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

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

Paying Agent/Registrar

The initial paying agent/registrar for the Bonds is The Bank of New York Mellon Trust Company, N.A. (the "Paying Agent/Registrar"). The District covenants that until the Bonds are paid it will at all times maintain and provide a paying agent/registrar. In the Order, the District retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new Paying Agent/Registrar must accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the District must be a bank, trust company, financial institution or other entity duly qualified and legally authorized to serve and perform the duties of Paying Agent/Registrar for the Bonds. Upon any

change in the Paying Agent/Registrar for the Bonds, the new Paying Agent/Registrar will promptly cause a notice thereof to be sent to each registered owner of the Bonds by United States mail, first-class postage prepaid, which notice shall give the address of the new Paying Agent/Registrar.

Transfer, Exchange, and Registration

In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange will 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, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or their designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or their duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. Neither the District nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

Record Date for Interest Payment

The record date ("Record Date") for determining the registered owner entitled to receive a payment of interest on a Bond means the close of business on the last business day of the preceding month.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date," 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 Holder of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last day next preceding the date of mailing of such notice.

Replacement Bonds

If any Bond is mutilated, destroyed, stolen or lost, a new Bond in the same principal amount as the Bond so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Bond, such new Bond will be delivered only upon surrender and cancellation of such mutilated Bond. In the case of any Bond issued in lieu of and in substitution for a Bond which has been destroyed, stolen or lost, such new Bond will be delivered only (a) upon filing with the District and the Paying Agent/Registrar of satisfactory evidence to the effect that such Bond has been destroyed, stolen or lost and proof of the ownership thereof, (b) upon furnishing the District and the Paying Agent/Registrar with indemnity satisfactory to them, (c) upon paying all expenses and charges in connection therewith and (d) upon satisfying any other reasonable requirements imposed by the District and the Paying Agent/Registrar. The person requesting the authentication and delivery of a new Bond must pay such expenses as the Paying Agent/Registrar may incur in connection therewith and satisfy any other reasonable requirements imposed by the District and the Paying Agent/Registrar.

Amendments

The District may, without the consent of or notice to any registered owners, from time to time and at any time, amend the Order in any manner not detrimental to the interests of the registered owners of the Bonds, including the curing of any ambiguity, inconsistency or formal defect or omission therein. In addition, the District may, with the consent of registered owners who own in the aggregate a majority of the principal amount of the Bonds then outstanding, amend, add to or rescind any of the provisions of the Order; provided that, without the consent of all of the registered owners of the Bonds then outstanding, no such amendment, addition or rescission shall (1) extend the time or times of payment

of the principal of or interest on the Bonds, reduce the principal amount thereof, the redemption price or the rate of interest thereon or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Bonds, (2) give any preference to any Bond over any other Bond or (3) reduce the aggregate principal amount of Bonds required to be held by registered owners for consent to any such amendment, addition, or rescission.

Bondholders' Remedies

If the District defaults in the payment of the principal of, redemption price, or interest due on the Bonds, when due, or the State fails to honor the Permanent School Fund Guarantee as hereinafter discussed, or the District defaults in the performance or observance of any other covenant, agreement or obligation of the District, which default materially and adversely affects the rights of the registered owners, including, but not limited to, their prospect or ability to be repaid in accordance with the Order, in such event, any owner may proceed against the District for the purpose of protecting and enforcing the rights of the owners under the Order, by mandamus or other suit, action or special proceeding in equity or at law, in any court of competent jurisdiction. Such right is in addition to any other rights the registered owners of the Bonds may be provided by the laws of the State. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the District to perform in accordance with the terms of the Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Chapter 1371, as amended, Texas Government Code ("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 the issuance of the Bonds. Notwithstanding its reliance upon the provisions of Chapter 1371 in connection with the issuance of the Bonds (as further described under the caption "THE BONDS – District for Issuance"), the District has not waived the defense of sovereign immunity with respect thereto. Because it is unclear whether the Texas legislature has effectively waived the District's sovereign immunity from a suit for money damages outside of Chapter 1371, Bondholders may not be able to bring such a suit against the District for breach of the Bonds or Order covenants.

Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein for a description of the procedures to be followed for payment of the Bonds by the Permanent School Fund in the event the District fails to make a payment on the Bonds when due. The opinions of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors and by general principles of equity which permits the exercise of judicial discretion.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, interest and redemption payments on the Bonds are to be paid to and credited by DTC, while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District, the Financial Advisor, and the Underwriters believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The District and the Underwriters cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will

distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the 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 Bonds. The Bonds will be issued as fully-registered Bonds 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 bond certificate will be issued for each stated maturity of the Bonds, 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"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

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

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

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

Use of Certain Terms in Other Sections of this Official Statement.

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

Effect of Termination of Book-Entry-Only System.

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

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

Subject to satisfying certain conditions, the payment of the Bonds will be guaranteed by the corpus of the Permanent School Fund of the State of Texas. In the event of default, registered owners will receive all payments due on the Bonds from the Permanent School Fund, and the Charter District Bond Guarantee Reserve would be the first source to pay debt service if a charter school was unable to make such payment. See "APPENDIX E – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" for pertinent information regarding the Permanent School Fund Guarantee Program. The disclosure regarding the Permanent School Fund Guarantee Program in APPENDIX E is incorporated herein and made a part hereof for all purposes.

WEATHER EVENTS

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

EXPOSURE TO OIL AND GAS INDUSTRY

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

CYBERSECURITY

The District, like other school districts in the State, utilizes technology in conducting its operations. As a user of technology, the District potentially faces cybersecurity threats (e.g., hacking, phishing, viruses, malware and ransomware) on its technology systems. Accordingly, the District may be the target of a cyber-attack on its technology systems that could result in adverse consequences to the District. The District employs a multi-layered approach to combating cybersecurity threats. While the District deploys layered technologies and requires employees to receive cybersecurity training, as required by State law, among other efforts, cybersecurity breaches could cause material disruptions to the District's finances or operations. The costs of remedying such breaches or protecting against future cyber-attacks could be substantial and there is no assurance that these costs will be covered by insurance. Further, cybersecurity breaches could expose the District to litigation and other legal risks, which could cause the District to incur other costs related to such legal claims or proceedings. To date, the District has not been the victim of any cyber-attack that has had a material adverse effect on its operations or financial condition.

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

Litigation Relating to the Texas Public School Finance System

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

On May 13, 2016, the Court issued its opinion in the most recent school finance litigation, *Morath v. The Texas Taxpayer 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 Legislature in part in response to prior decisions of the Court, violated article VII, section 1 and article VIII, section 1-e of the Texas Constitution. In its opinion, the Court held that "[d]espite the imperfections of the current school funding regime, it meets minimum constitutional requirements." The Court also noted that:

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

Possible Effects of Changes in Law on District Bonds

The Court's decision in *Morath* upheld the constitutionality of the Finance System but noted that the Finance System was "undeniably imperfect." While not compelled by the *Morath* decision to reform the Finance System, the Legislature could enact future changes to the Finance System. Any such changes could benefit or be a detriment to the District. If the Legislature enacts future changes to, or fails adequately to fund the Finance System, or if changes in circumstances otherwise provide grounds for a challenge, the Finance System could be challenged again in the future. In its 1995 opinion in *Edgewood Independent School District v. Meno*, 917 S.W.2d 717 (Tex. 1995), the Court stated that any future determination of unconstitutionality "would not, however, affect the district's authority to levy

the taxes necessary to retire previously issued bonds, but would instead require the Legislature to cure the system's unconstitutionality in a way that is consistent with the Contract Clauses of the U.S. and Texas Constitutions" (collectively, the "Contract Clauses"), which prohibit the enactment of laws that impair prior obligations of contracts.

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

Overview

The following language constitutes only a summary of the public school finance system as it is currently structured. For a more complete description of school finance and fiscal management in the State, reference is made to Chapters 43 through 49 of the Texas Education Code, as amended. Additionally, prospective investors are encouraged to review the Property Tax Code (as defined herein) for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the defined tax rates.

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

2025 Legislative Session

The regular session of the 89th Texas Legislature convened on January 14, 2025 and concluded on June 2, 2025 (the "89th Regular Session"). The Texas Legislature (the "Legislature") meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Governor has called and the Legislature has concluded two special sessions since the conclusion of the 89th Regular Session. Additional special sessions may be called by the Governor.

During the 89th Regular Session, the Legislature considered a general appropriations act and legislation affecting the Finance System (as defined herein) and ad valorem taxation procedures and exemptions, and investments, among other legislation affecting school districts and the administrative agencies that oversee school districts. Legislation passed by both houses of the Legislature increases: (1) the State mandated general homestead exemption from \$100,000 to \$140,000, and (2) the additional exemption on the residence homesteads of those at least sixty-five (65) years of age or disabled from \$10,000 to \$60,000. Voters approved constitutional amendments authorizing the new exemption at a statewide election held on November 4, 2025. Additionally, roughly \$8.5 billion in funding for public schools and provide districts with a \$55 per-student increase to their base funding, as well as additional funding for teacher and staff salaries, educator preparation, special education, safety requirements and early childhood learning. Finally, legislation passed by the Legislature created an education savings account program (commonly referred to as vouchers) for students that attend private schools or are homeschooled. Such program could impact attendance in the District by incentivizing students to homeschool or attend private schools, which could negatively affect the District's attendance-based funding.

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

Local Funding for School Districts

A school district's M&O tax rate is composed of two distinct parts: the "Tier One Tax Rate," which is the local M&O tax rate required for a school district to receive any part of the basic level of State funding (referred to herein as "Tier One") under the Foundation School Program, as further described below, and the "Enrichment Tax Rate," which is any local M&O tax effort in excess of its Tier One Tax Rate. 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. Such distinctions are discussed under the subcaption "– Local Revenue Level in Excess of Entitlement" herein.

State Compression Percentage. The "State Compression Percentage" or "SCP" is the lesser of three alternative calculations: (i) 93% or a lower percentage set by appropriation for a school year; (ii) a percentage determined by formula if the estimated total taxable property value of the State (as submitted annually to the Legislature by the State Comptroller) has increased by at least 2.5% over the prior year; and (iii) 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" or 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 (described below) 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 "State Compression Percentage" (as discussed above) multiplied by 100; or (2) a percentage determined by formula if the school district experienced a year-over-year increase in property value of at least 2.5% (if the increase in property value is less than 2.5%, then MCR is equal to the prior year MCR). However, each year the TEA shall evaluate the MCR for each school district in the State, and for any given year, if a school district's MCR is calculated to be less than 90% of any other school district's MCR for the current year, then the school district's MCR is instead equal to the school district's prior year MCR, until TEA determines that the difference between the school district's MCR and any other school district's MCR is not more than 10%. These compression formulas are intended to more closely equalize local generation of Tier One funding among districts with disparate tax bases and generally reduce the Tier One Tax Rates of school districts as property values increase. During the 2025 Legislative Session, the Legislature took action to reduce the maximum MCR for the 2025-2026 school year. The MCR for the 2025-2026 school year is \$0.6322 and the floor is \$0.5689.

In calculating and making available school districts' MCRs for the 2025-2026 school year, the TEA shall calculate and make available the rates as if the increase in the residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, as proposed by the 89th Legislature, Regular Session, 2025, took effect. Such calculation for the 2025-2026 school year expires September 1, 2026. Pursuant to voter approval at a Statewide election held on November 4, 2025, the residential homestead exemption under Section 1-b(c), Article VIII, Texas Constitution will increase (1) the State mandated general homestead exemption from \$100,000 to \$140,000, and (2) the additional exemption on the residence homesteads of those at least sixty-five (65) years of age or disabled from \$10,000 to \$60,000. The 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 for such year. Additionally, a school district's levy of Copper Pennies is subject to compression if the guaranteed yield (i.e., the guaranteed level of local tax revenue and State aid generated for each cent of tax effort) of Copper Pennies is increased from one year to the next. See "-- State Funding for School Districts -- Tier Two" herein.

State Funding for School Districts

State funding for school districts is provided through the two-tiered Foundation School Program, which guarantees certain levels of funding for school districts in the State. School districts are entitled to a legislatively appropriated guaranteed yield on their Tier One Tax Rate and Enrichment Tax Rate. When a school district's Tier One Tax Rate and Enrichment Tax Rate generate tax revenues at a level below the respective entitlement, the State will provide "Tier One" funding or "Tier Two" funding, respectively, to fund the difference between the school district's entitlements and the calculated M&O revenues generated by the school district's respective M&O tax rates. The first level of funding, Tier One, is the basic level of funding guaranteed to all school districts based on a school district's Tier One Tax Rate. Tier One funding may then be "enriched" with Tier Two funding. Tier Two provides a guaranteed entitlement for each cent of a school district's Enrichment Tax Rate, allowing a school district to increase or decrease its Enrichment Tax Rate to supplement Tier One funding at a level of the school district's own choice. While Tier One funding may be used for the payment of debt service (except for school districts subject to the recapture provisions of Chapter 49 of the Texas Education Code, as amended (see "-- Local Revenue Level In Excess of Entitlement")), and in some instances is required to be used for that purpose (see "TAX RATE LIMITATIONS -- I&S Tax Rate Limitations" herein), Tier Two funding may not be used for the payment of debt service or capital outlay.

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

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

Tier One. Tier One funding is the basic level of programmatic funding guaranteed to a school district, consisting of a State- appropriated baseline level of funding (the "Basic Allotment"), 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 student in "Average Daily Attendance" (being generally calculated as the sum of student attendance for each State-mandated day of instruction divided by the number of State-mandated days of instruction, defined herein as "ADA"). The Basic Allotment is revised downward if a school district's Tier One Tax Rate is less than the State-determined threshold. The Basic Allotment is supplemented by additional State funds, allotted based upon the the unique school district characteristics, the demographics of students in ADA, and the educational programs the students are being served in, to make up most of a school district's Tier One entitlement under the Foundation School Program.

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

divided by the district's Basic Allotment is a school district's measure of students in "Weighted Average Daily Attendance" ("WADA"), which serves to calculate Tier Two funding.

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

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

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

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

Since future-year IFA awards were not funded by the Legislature for the 2026-2027 State fiscal biennium and debt service assistance on school district bonds that are not yet eligible for EDA is not available, debt service payments during the 2026-2027 State fiscal biennium on new bonds issued by school districts in the 2026-2027 State fiscal biennium to construct, acquire and improve facilities must be funded solely from local I&S taxes, except to the extent that the bonds of a school district are eligible for hold-harmless funding from the State for local tax revenue lost as a result of an increase in the mandatory homestead exemption. See "— 2025 Legislative Session."

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

determined by the Commissioner. In the 89th Regular Session, the Legislature appropriated funds in the amount of \$150,000,000 for each fiscal year of the 2026-2027 State fiscal biennium for NIFA allotments.

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

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

Local Revenue Level in Excess of Entitlement

A school district that has sufficient property wealth per student in ADA to generate local revenues on the school district's Tier One Tax Rate and Copper Pennies in excess of the school district's respective funding entitlements (a "Chapter 49 school district"), is subject to the local revenue reduction provisions contained in Chapter 49 of Texas Education Code, as amended ("Chapter 49"). Additionally, in years in which the amount of State funds appropriated specifically excludes the amount necessary to provide the guaranteed yield for Golden Pennies, local revenues generated on a school district's Golden Pennies in excess of the school district's respective funding entitlement are subject to the local revenue reduction provisions of Chapter 49. To reduce local revenue in excess of entitlement, Chapter 49 school districts are generally subject to a process known as "recapture," which requires a Chapter 49 school district to exercise certain options to remit local M&O tax revenues collected in excess of the Chapter 49 school district's funding entitlements to the State (for redistribution to other school districts) or otherwise expending the respective M&O tax revenues for the benefit of students in school districts that are not Chapter 49 school districts, as described in the subcaption "—Options for Local Revenue Levels in Excess of Entitlement," below. 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 (except for their Golden Pennies, if applicable), 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 (6) options to reduce local revenues to a level that does not exceed the school district's respective entitlements: (1) a school district may consolidate by agreement with one or more school districts to form a consolidated school district; all property and debt of the consolidating school districts vest in the consolidated school district; (2) a school district may detach property from its territory for annexation by a property-poor school district; (3) a school district may purchase attendance credits from the State; (4) a school district may contract to educate nonresident students from a property-poor school district by sending money directly to one or more property-poor school districts; (5) a school district may execute an agreement to provide students of one or more other school districts with career and technology education through a program designated as an area program for career and technology education; or (6) a school district may consolidate by agreement with one or more school districts to form a consolidated taxing school district solely to levy and distribute either M&O taxes or both M&O taxes and I&S taxes. A Chapter 49 school district may also exercise any combination of these remedies. Options (3), (4) and (6) require prior approval by the Chapter 49 school district's voters. A district that enters into an agreement to exercise an option to reduce the district's local revenue level in excess of entitlement under options (3), (4), or (5) for the 2025-2026 school year and that has not previously held an election to exercise said options may request and may receive approval from the Education Commissioner to delay the date of the election otherwise required to be ordered before September 1. The Education Commissioner shall set a date by which each district that receives approval to delay an election must order the election and requires the Education Commissioner, not later than the 2026-2027 school year, to order detachment and annexation of district property or consolidation as necessary to reduce the district's excess local revenue to the level established by law for a district that receives approval to delay an election and subsequently fails to hold the election or does not receive voter approval at the election. A district that receives approval of a request to delay the date of an election shall pay for credit purchased in equal monthly payments as determined by the Education Commissioner beginning March 15,

2026, and ending August 15, 2026. Alternatively, the district may pay for credit purchased with one lump sum payment made not later than August 15, 2026, provided that the district notifies the Education Commissioner of the district's election to pay through a lump sum not later than March 15, 2026.

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

THE SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT

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

A district's status as to any excess local revenue in Tier One and its wealth per student for Copper Penny purposes in Tier Two must be tested for each future school year and, if it exceeds the maximum permitted levels, the excess must be reduced by exercising one of the permitted wealth equalization options. If the District were to consolidate (or consolidate its tax base for all purposes) with a property-poor district, the outstanding debt of each district could become payable from the consolidated district's combined property tax base, and the District's ratio of taxable property to debt could become diluted. If the District were to detach property voluntarily, a portion of its outstanding debt (including the Bonds) could be assumed by the district to which the property is annexed, in which case timely payment of the Bonds could become dependent in part on the financial performance of the annexing district.

TAX RATE LIMITATIONS

M&O Tax Rate Limitations

A school district is authorized to levy M&O taxes subject to approval of a proposition submitted to district voters. The Maximum M&O tax rate that may be levied by a district cannot exceed the voted maximum rate or the maximum rate described in the next succeeding paragraph. The maximum voted M&O tax rate for the District is \$1.50 per \$100 of assessed valuation, as approved by the voters at an election held on July 25, 1959 in accordance with the provisions of Article 2784e-1, Texas Revised Civil Statutes Annotated, as amended.

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

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

I&S Tax Rate Limitations

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

Section 45.0031 of the Texas Education Code, as amended, requires a school district to demonstrate to the Texas Attorney General that it has the prospective ability to pay its maximum annual debt service on a proposed issue of bonds and all previously issued bonds, other than bonds approved by voters of a school district at an election held on or before April 1, 1991 and issued before September 1, 1992 (or debt issued to refund such bonds, collectively, "exempt bonds"), from a tax levied at a rate of \$0.50 per \$100 of assessed valuation before bonds may be issued (the

“50-cent Test”). In demonstrating the ability to pay debt service at a rate of \$0.50, a school district may take into account EDA and IFA allotments to the school district, which effectively reduces the school district’s local share of debt service, and may also take into account Tier One funds allotted to the school district. If a school district exercises this option, it may not adopt an I&S tax until it has credited to the school district’s I&S fund an amount equal to all State allotments provided solely for payment of debt service and any Tier One funds needed to demonstrate compliance with the threshold tax rate test and which is received or to be received in that year. Additionally, a school district may demonstrate its ability to comply with the 50-cent Test by applying the \$0.50 tax rate to an amount equal to 90% of projected future taxable value of property in the school district, as certified by a registered professional appraiser, anticipated for the earlier of the tax year five (5) years after the current tax year or the tax year in which the final payment for the bonds is due. However, if a school district uses projected future taxable values to meet the 50-cent Test and subsequently imposes a tax at a rate greater than \$0.50 per \$100 of valuation to pay for bonds subject to the test, then for subsequent bond issues, the Texas Attorney General must find that the school district has the projected ability to pay principal and interest on the proposed bonds and all previously issued bonds subject to the 50-cent Test from a tax rate of \$0.45 per \$100 of valuation. Once the prospective ability to pay such tax has been shown and the bonds are issued, a school district may levy an unlimited tax to pay debt service. The District has not previously used projected taxable value to satisfy the 50-cent Test but has used Tier One funds and “hold harmless” funds. The Bonds are issued for school building purposes pursuant to Chapter 45, Texas Education Code, as new debt and are therefore subject to the threshold tax rate test.

Public Hearing and Voter-Approval Tax Rate

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

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

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

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

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

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

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

AD VALOREM TAX PROCEDURES

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

Valuation of Taxable Property

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

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property (the "10% Homestead Cap"). The 10% increase is cumulative, meaning the maximum increase is 10% times the number of years since the property was last appraised.

Through December 31, 2026 an appraisal district is prohibited from increasing the appraised value of real property during the 2025 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5,160,000 (the "Maximum Property Value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. The Maximum Property Value may be increased or decreased by the product

of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value.

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

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the District, in establishing their tax rolls and tax rates. See "-- District and Taxpayer Remedies."

State Mandated Homestead 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 (which in some instances may be prorated in the first year the exemption is granted based on the amount of time the homestead was owned), (2) a \$60,000 exemption of the appraised value of the homesteads of persons 65 years of age or older and the disabled, and (3) various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

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 an optional homestead exemption that was granted in tax year 2022 through December 31, 2027.

State Mandated Freeze on School District Taxes

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

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

Personal Property

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

Freeport and Goods-in-Transit Exemptions

Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or 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 in tangible personal property is exempt from State taxation.

Temporary Exemption for Qualified Property Damaged by a Disaster

The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the Governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. 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. The Texas Legislature recently amended Section 11.35, Tax Code to clarify that “damage” for purposes of such statute is limited to “physical damage.” For more information on the exemption, reference is made to Section 11.35 of the Property Tax Code.

Tax Increment Reinvestment Zones

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

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

Tax Limitation Agreements

The Texas Economic Development Act (Chapter 313, 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 last eight (8) years of the ten-year term of a tax limitation agreement under Chapter 313, a school district may only levy and collect M&O taxes on the agreed-to limited appraised property value. For the purposes of calculating its Tier One and Tier Two entitlements, the portion of a school district's property that is not fully taxable is excluded from the school district's taxable property values. Therefore, a school district will not be subject to a reduction in Tier One or Tier Two State funds as a result of lost M&O tax revenues due to entering into a tax limitation agreement (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts"). The 87th Texas Legislature did not vote to extend this program, which expired by its terms effective December 31, 2022. In the 88th Legislative Session, House Bill 5 ("HB 5" or "The Texas Jobs, Energy, Technology, and Innovation Act") was adopted to create an economic development program, subject to state oversight, which would attract jobs and investment to Texas through school district property tax abatement agreements with businesses. HB5 was codified as Chapter 403, Subchapter T, Texas Government Code ("Chapter 403") and had an effective date of January 1, 2024. Under Chapter 403, a school district may offer a 50% abatement on taxable value for maintenance and operations property taxes for certain eligible projects, except that projects in a federally designated economic opportunity zone receive a 75% abatement. Chapter 403 also provides a 100% abatement of maintenance and operations taxes for eligible property during a project's construction period. Taxable valuation for purposes of the debt service tax securing a series of bonds cannot be abated under Chapter 403. Eligible projects must involve manufacturing, dispatchable power generation facilities, technology research/development facilities, or critical infrastructure projects and projects must create and maintain jobs, as well as meet certain minimum investment requirements. The District is still in the process of reviewing Chapter 403 and cannot make any representations as to what impact, if any, Chapter 403 will have on its finances or operations.

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."

District and Taxpayer Remedies

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

Owners of certain property (being (i) commercial real and personal property, (ii) real and personal property of utilities, (iii) industrial and manufacturing real and personal property, and (iv) multifamily residential real property) with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of 1.2 million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at \$62,883,169 for the 2026 calendar year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

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

Levy and Collection of Taxes

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

payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the District may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

District's Rights in the Event of Tax Delinquencies

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

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

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

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

THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT

The Appraisal District has the responsibility for appraising property in the District as well as other taxing units in Fort Bend County. The Appraisal District is governed by a board of six directors, members of which are both appointed by the governing bodies of various political subdivisions that participate in the Appraisal District and elected by voters within Fort Bend County, Texas.

The District grants a state-mandated \$140,000 general homestead exemption and a state-mandated \$60,000 residence homestead exemption for persons 65 years of age or older or the disabled.

The District has not granted an additional local option exemption of 20% of the market value of residence homesteads or an additional local option exemption for persons who are 65 years of age or older or the disabled.

The District does not tax nonbusiness personal property.

The District does not tax Freeport Property.

The District determined not to grant an exemption for Goods-in-Transit.

See "TABLE 1 – VALUATION, EXEMPTIONS AND TAX SUPPORTED DEBT" in APPENDIX A hereto for a listing of the amounts of the exemptions described above.

PENSIONS AND OTHER POST-EMPLOYMENT BENEFITS

Pension Funds

Pension funds for employees of Texas school districts, and any employee in public education in Texas, are administered by the Teacher Retirement System of Texas (the “System”). The individual employees contribute a fixed amount of their salary to the System, the District contributes at a rate determined by the State legislature, and the State contributes funds to the System based on statutory required minimum salary for certified personnel, except any District personnel paid by federally funded programs. For the year ended August 31, 2025, the State contributed \$19,703,723 to the TRS on behalf of the District, District employees paid \$29,617,504 and the District contributed \$15,914,200. For more detailed information concerning the retirement plan, see Note 15 to the audited financial statements of the District that are attached hereto as APPENDIX D.

Government Accounting Standards Board (GASB) Statement No. 68 (Accounting and Financial Reporting for Pensions) requires reporting entities, such as the District, to recognize their proportionate share of the net pension liability and operating statement activity related to changes in collective pension liability. This means that reporting entities, such as the District, that contribute to the TRS pension plan now report a liability on the face of their government-wide financial statements. GASB Statement No. 68 applies only to pension benefits and does not apply to Other Post-Employment Benefits (OPEB) or TRS-Care related liabilities.

Other Post-Employment Benefits

In addition to its participation in the TRS, the District contributes to the Texas Public School Retired Employees Group Insurance Program (the “TRS-Care Plan”), a cost-sharing multiple-employer defined OPEB health care plan. The TRS-Care Plan provides health care coverage for certain persons (and their dependents) who retired under the TRS. The TRS-Care Plan is administered through a trust by the TRS Board of Trustees. Contribution rates are legally established in state statute by the 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 the TRS-Care Plan is provided by retiree premium contributions and contributions from the State, active employees, and school districts based upon public school district payroll. For the year ended August 31, 2025, the State contributed \$6,833,179 to the TRS-Care Plan on behalf of the District, District employees paid \$2,331,668 and the District contributed \$2,987,270. For more detailed information concerning the District’s funding policy and contributions in connection with the TRS-Care Plan, see Note 16 to the audited financial statements of the District that are attached hereto as APPENDIX D.

GASB Statement No. 75 requires reporting entities, such as the District, to recognize their proportionate share of the net OPEB liability in the TRS-Care Plan and a deferred outflow for the contributions made by the District subsequent to the measurement date in the Statement of Net Position, a government-wide financial statement. As of August 31, 2025, the District’s proportionate share of the net OPEB liability and deferred outflow for the contributions made by the District subsequent to the measurement date were \$83,074,660. The calculation of OPEB contributions is unaffected by the change. Such reporting began with the District’s fiscal year ended August 31, 2018. To date, the District has met all funding requirements of the TRS-Care Plan.

FINANCIAL POLICIES

Basis of Accounting. The accounting policies of the District substantially comply with the rules prescribed in the Texas State Board of Education’s Financial Accountability System Resource Guide. These accounting policies conform to generally accepted accounting principles applicable to state and local governmental units.

General Fund. The District accounts for financial resources used for general operations in this fund. It is a budgeted fund, and any fund balances are considered resources available for current operations.

Special Revenue Funds. The District uses these funds to account for resources restricted to, or designated for, specific purposes by a grantor. Federal financial assistance often is accounted for in a Special Revenue Fund (“SRF”). In many SRFs, unused balances are returned to the grantor at the close of specified project periods. The District budgets SRFs and uses project accounting for them in order to maintain integrity for the various sources of funds.

Debt Service Fund. The District accounts for revenues collected to pay interest on, and retire, long-term debt – including bonds, long-term mortgage notes, etc. – in the Debt Service Fund. This is a budgeted fund.

Budgetary Procedures. The District's fiscal year ending 2025 ended on August 31, 2025, and fiscal year ending 2026 began on September 1, 2025 and will end on June 30, 2026, with subsequent fiscal years beginning on July 1 and ending June 30. The Board approves the final budget in August at a duly advertised public meeting. The budget is properly amended by the Board as needed throughout the year.

INVESTMENTS

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 "AAAm"-rated investment pools that invest solely in investments described above; (15) aggregate repurchase agreement transactions entered into by an investing entity in conformity with the provisions of subsections (a-1), (f), and (g) of Section 2256.011 of the Public Funds Investment Act; and (16) 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

For a list and description of the District's investments, please see "TABLE 13 – CURRENT INVESTMENTS" in APPENDIX A attached hereto.

TAX MATTERS

The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Bonds should consult its own tax advisor as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

Tax Exemption

The delivery of the Bonds is subject to the opinion of Norton Rose Fulbright US LLP, Austin and Houston, Texas, Bond Counsel, to the effect that interest on the Bonds for federal income tax purposes (1) will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), of the owners thereof 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. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change. A form of Bond Counsel's opinion appears in Appendix C hereto.

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

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

Tax Changes

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

taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Ancillary Tax Consequences

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

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 Bonds. Prospective purchasers that could be subject to this minimum tax should consult with their own tax advisors regarding the potential impact of owning the Bonds.

Tax Accounting Treatment of Discount Bonds

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

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

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

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

Tax Accounting Treatment of Premium Bonds

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

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

CONTINUING DISCLOSURE OF INFORMATION

In the Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the MSRB. This information will be available free of charge from the MSRB via EMMA system at www.emma.msrb.org.

Annual Reports

The District shall provide annually to the MSRB, (i) within six (6) months after the end of each Fiscal Year of the District ending in and after 2026, financial information and operating data with respect to the District of the general type included in the Official Statement, under the Tables numbered 1 through 6 and 8 through 13, and (ii) if not provided as part such financial information and operating data, audited financial statements of the District, when and if available. Any financial statements so to be provided shall be (i) prepared in accordance with the accounting principles prescribed by the Texas State Board of Education or such other accounting principles as the District may be required to employ, from time to time, by State law or regulation, and (ii) audited, if the District commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the District shall file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such financial statements becomes available.

The District’s current fiscal year end is June 30. If the District changes its Fiscal Year, it will notify the MSRB of the change (and of the date of the new Fiscal Year end) prior to the next date by which the District otherwise would be required to provide financial information and operating data pursuant to this Section.

The financial information and operating data to be provided pursuant to this Section 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), if it is available to the public on the MSRB’s Internet website or has been filed with the SEC. The financial information or operating data shall be provided in an electronic format as prescribed by the MSRB.

Event Notices

The District will provide to the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the event, notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy,

insolvency, receivership, or similar event of the District; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, 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 of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties. Neither the Bonds nor the Order make any provision for debt service reserves, credit enhancement (except with respect to the Permanent School Fund Guarantee), or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information and operating data in accordance with its agreement described above under “Annual Reports.” The District will provide each notice described in this paragraph to the MSRB. In the Order, the District adopted policies and procedures to ensure timely compliance of its continuing disclosure undertakings.

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 in the immediately preceding paragraph to have the same meanings as when they are used in Rule 15c2-12, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

Availability of Information from MSRB

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 and only for so long as the District remains an “obligated person” with respect to the Bonds within the meaning of Rule 15c2-12. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results, operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the District to comply with its agreement. Nothing in this paragraph is intended or shall act to disclaim, waive or limit the District’s duties under federal securities laws.

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with Rule 15c2-12, taking into account any amendments or interpretations of Rule 15c2-12 to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the registered and beneficial owners of the Bonds. The District may also repeal or amend the provisions of its continuing disclosure agreement if the SEC amends or repeals the applicable provisions of Rule 15c2-12 or any court of final jurisdiction enters judgment that such provisions of Rule 15c2-12 are invalid, and the District also may amend the provisions of its continuing disclosure agreement in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or selling the Bonds in the primary offering of the Bonds, giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of Rule 15c2-12. If the District so amends the continuing disclosure agreement, it has agreed to include with the next financial information

and operating data provided in accordance with its continuing disclosure agreement described above under “-- Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so 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.

OTHER INFORMATION

Ratings

The Bonds are rated “Aaa” by Moody’s Ratings (“Moody’s”) and “AAA” by S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC (“S&P”), respectively, by virtue of the guarantee of the Permanent School Fund of the State of Texas. See “THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” and APPENDIX E. The presently outstanding unenhanced tax-supported debt of the District is rated “Aa3” by Moody’s and “AA-” by S&P. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the views of such organizations and the District makes no representation as to the appropriateness of the ratings. The ratings are not recommendations to buy, sell, or hold the Bonds. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of such rating companies, if in the judgment of either or both of such companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, may have an adverse effect on the market price of the Bonds.

Litigation

The District is not a party to any litigation or other proceeding pending or to its knowledge, threatened, in any court, agency, or other administrative body (either state or federal) which, if decided adversely to the District, would have a material adverse effect on the financial statements or operations of the District. At the time of the initial delivery of the Bonds, the District will provide the Underwriters with a certificate to the effect that no litigation of any nature has been filed or is then pending challenging the issuance of the Bonds or that affects the payment and security of the Bonds or in any other manner questioning the issuance, sale, or delivery of said Bonds.

Registration and Qualification of Bonds for Sale

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

Legal Investments and Eligibility to Secure Public Funds in Texas

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of “A” or its equivalent as to investment quality by a national rating agency. See “OTHER INFORMATION - Ratings” herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the District has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

Legal Matters

The delivery of the Bonds is subject to the approval of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District payable from the proceeds of an annual direct annual ad valorem tax levied, without legal limit as to maximum rate or amount, upon all taxable property in the District and the approving legal opinion of Bond Counsel, in substantially the form attached hereto as APPENDIX C. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds.

Bond Counsel has reviewed the statements and information contained in the Official Statement under the captions and sub-captions “PLAN OF FINANCING” (except for the information under the sub-caption “—Sources and Uses of Funds, “ as to which no opinion is expressed), “THE BONDS” (except for the information under the sub-caption “—Bondholders’ Remedies,” as to which no opinion is expressed) and “CONTINUING DISCLOSURE OF INFORMATION,” and Bond Counsel is of the opinion that the statements and information contained therein fairly and accurately reflect the provisions of the Order; further, Bond Counsel has reviewed the statements and information contained in the Official Statement under the captions and sub-captions “STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS,” “CURRENT PUBLIC SCHOOL FINANCE SYSTEM,” “TAX RATE LIMITATIONS” (first paragraph only), “TAX MATTERS,” “OTHER INFORMATION – Legal Matters” (except for the last two sentences of the second paragraph), “OTHER INFORMATION – Registration and Qualification of Bonds for Sale” and “OTHER INFORMATION – Legal Investments and Eligibility to Secure Public Funds in Texas” and Bond Counsel is of the opinion that the statements and information contained therein fairly and accurately describe the laws and legal issues addressed therein. Certain legal matters will be passed upon for the Underwriters by The Bates Law Firm PLLC and Orrick, Herrington & Sutcliffe LLP, Co-Counsel for the Underwriters. The legal fees of such firms are contingent upon the sale and delivery of the Bonds.

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

Authenticity of Financial Data and Other Information

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

Financial Advisor

In its role as Financial Advisor, Post Oak Municipal Advisors LLC has relied on the District for certain information concerning the District and the Bonds. The fee of the Financial Advisor for services with respect to the Bonds is contingent upon the issuance and sale of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

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

Underwriting

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the District, at a price of \$ _____ (representing the principal amount of the Bonds, plus/(less) a [net] reoffering premium/(discount) of \$ _____, less an underwriting discount of \$ _____). The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriters.

Additionally, the Underwriters may receive additional compensation from the District for additional services rendered including but not limited to the provision of certain investment services either directly or through a subsidiary.

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

The Underwriters and their respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the District.

RBC Capital Markets, LLC (“RBCCM”), has provided the following information for the inclusion in this Official Statement: RBCCM and its respective affiliates are full-service financial institutions engaged in various activities, that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, RBCCM and its respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). RBCCM and its respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the County. RBCCM and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the County. RBCCM and its respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. RBCCM has entered into a distribution arrangement with its affiliate City National Securities, Inc. (“CNS”). As part of this arrangement, RBCCM may distribute municipal securities to investors through the financial advisor network of CNS. As part of this arrangement, RBCCM may compensate CNS for its selling efforts with respect to the Bonds.

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

Audited Financial Statements

Whitley Penn LLP, the District’s independent auditor, has not reviewed, commented on, or approved, and is not associated with, this Official Statement. The excerpts from the report of Whitley Penn LLP relating to the District’s financial statements for the fiscal year ended August 31, 2025 is included in this Official Statement in APPENDIX D; however, Whitley Penn LLP has not performed any procedures on such financial statements since the date of such report, and has not performed any procedures on any other financial information of the District, including without limitation any of the information contained in this Official Statement, and has not been asked to consent to the inclusion of its report, or otherwise be associated with this Official Statement.

Forward Looking Statements

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

important to note that the District's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners, and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the District. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

Miscellaneous

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

Concluding Statement

The Order authorizing the issuance of the Bonds authorized the preparation of this Official Statement and delegated to an Authorized Official of the District the authority to approve the form and content of this Official Statement and any addenda, supplement, or amendment thereto. The Order also authorized the further use of the Official Statement in the re-offering of the Bonds by the Underwriters.

APPENDIX A

FINANCIAL INFORMATION REGARDING THE DISTRICT

FINANCIAL INFORMATION REGARDING THE DISTRICT

TABLE 1 – VALUATION, EXEMPTIONS, AND TAX SUPPORTED DEBT

2025/26 Appraised Valuation Established by Fort Bend Central Appraisal District <i>(Excludes Fully Exempt Property)</i>	\$	46,327,090,550
Less: Exemptions/Reductions at 100% Market Value		
Residential Homestead Cap Adjustment	\$	(756,506,323)
Circuit Breaker Limit Cap Adjustment		(414,859,679)
Productivity Loss		(2,458,500,245)
Residential Homestead Exemptions		(8,365,409,234)
Over 65 and/or Disabled Homestead Exemptions		(932,840,905)
Disabled and Deceased Veterans Survivor(s) Exemptions		(608,768,674)
Prorated Exempt		(5,792,835)
Community Housing Development		(12,834,690)
Pollution Control Exemptions		(394,897,729)
Leased Vehicle Exemptions		(170,243,228)
Freeport Exemptions		(90,944,528)
Solar Exemptions		(13,398,478)
Historical Exemptions		(8,481,602)
House Bill 366		(719,173)
Value Lost Due to Freeze and Transfer		(3,481,947,864)
Total Exemptions/Reductions at 100% Market Value	\$	<u>(17,716,145,187)</u>
2025/26 Taxable Assessed Valuation Established by Fort Bend Central Appraisal District	\$	<u>28,610,945,363</u> ^(a)
Debt Payable from Ad Valorem Taxes:		
Outstanding Unlimited Tax Bonds (as of February 26, 2026)	\$	3,023,560,000
Plus: The Bonds		545,000,000 *
Total Debt Payable from Ad Valorem Taxes	\$	<u>3,568,560,000</u> *
Less: Estimated Interest and Sinking Fund Balance June 30, 2026		<u>(64,069,616)</u> ^(b)
Net Debt Payable from Ad Valorem Taxes	\$	<u>3,504,490,384</u>
Ratio of Tax Supported Debt to Taxable Assessed Valuation		12.47% ^(c)
2025/26 Estimated Population		252,518 ^(d)
Per Capita Taxable Assessed Valuation	\$	113,303
Per Capita Tax Supported Debt	\$	14,132 ^(e)

* Preliminary, subject to change.

^(a) Source: Fort Bend Central Appraisal District.

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

^(c) Includes the Bonds. Preliminary, subject to change.

^(d) Source: Municipal Advisory Council of Texas.

TABLE 2 – TAXABLE ASSESSED VALUATIONS BY CATEGORY

Type of Property	Taxable Appraised Value for Fiscal Year Ended August 31,					
	2026 ^{(a)(b)}		2025 ^(c)		2024 ^(c)	
	Amount	%	Amount	%	Amount	%
Residential	\$ 35,106,232,084	75.78%	\$ 32,701,006,831	74.53%	\$ 30,179,299,687	77.23%
Vacant Lots / Tracts	673,218,739	1.45%	647,239,271	1.48%	466,325,685	1.19%
Acreage	2,507,082,786	5.41%	2,649,518,376	6.04%	1,703,339,524	4.36%
Farms & Ranch	992,876,656	2.14%	837,630,737	1.91%	500,473,580	1.28%
Commercial & Industrial	3,656,468,949	7.89%	3,574,313,509	8.15%	3,278,103,806	8.39%
Minerals	19,089,523	0.04%	27,756,326	0.06%	30,786,870	0.08%
Utilities	693,263,000	1.50%	602,237,260	1.37%	563,180,377	1.44%
Business Personal	1,956,897,784	4.22%	2,032,632,707	4.63%	1,814,659,920	4.64%
Other	721,961,029	1.56%	801,348,533	1.83%	539,972,121	1.38%
Total Appraised Value Before Exemptions	\$ 46,327,090,550	100.00%	\$ 43,873,683,550	100.00%	\$ 39,076,141,570	100.00%
Less: Exemptions/Reductions	(14,234,197,323)		(10,869,096,000)		(10,693,440,522)	
Less: Value Lost Due to Freeze and Transfer	(3,481,947,864)		(1,809,442,482)		(1,809,442,482)	
Total A.V.	<u>\$ 28,610,945,363</u>		<u>\$ 31,195,145,068</u>		<u>\$ 26,573,258,566</u>	

Type of Property	Taxable Appraised Value for Fiscal Year Ended August 31,			
	2023		2022	
	Amount	%	Amount	%
Residential	\$ 24,481,610,265	74.12%	\$ 17,572,746,557	69.82%
Vacant Lots / Tracts	456,846,555	1.38%	408,011,604	1.62%
Acreage	1,670,530,449	5.06%	1,672,956,935	6.65%
Farms & Ranch	426,290,712	1.29%	303,499,215	1.21%
Commercial & Industrial	3,120,116,131	9.45%	2,712,412,957	10.78%
Minerals	42,441,456	0.13%	17,337,280	0.07%
Utilities	525,093,605	1.59%	492,191,690	1.96%
Business Personal	1,608,626,153	4.87%	1,446,948,158	5.75%
Other	698,108,507	2.11%	543,763,486	2.16%
Total Appraised Value Before Exemptions	\$ 33,029,663,833	100.00%	\$ 25,169,867,882	100.00%
Less: Exemptions/Reductions	(7,077,253,013)		(3,818,023,642)	
Less: Value Lost Due to Freeze and Transfer	(639,601,852)		(509,126,892)	
Total A.V.	<u>\$ 25,312,808,968</u>		<u>\$ 20,842,717,348</u>	

Source: Municipal Advisory Council of Texas.

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

- ^(a) Values include the application of a \$140,000 State mandated general homestead exemption and a \$60,000 state-mandated residence homestead exemption for persons 65 years of age or older and the disabled.
- ^(b) The District changed its fiscal year end to June 30 beginning with its fiscal year ending June 30, 2026.
- ^(c) Values include the application of a \$100,000 State mandated general homestead exemption and a \$10,000 state-mandated residence homestead exemption for persons 65 years of age or older.

TABLE 3 – VALUATION AND TAX SUPPORTED DEBT HISTORY

Fiscal Year Ended 8/31	Estimated Population ^(b)	Taxable Assessed Valuation ^(c)	Taxable Assessed Valuation per Capita	Taxable Supported Debt Outstanding at End of Year	Supported Debt to Taxable Assessed Valuation	Tax Supported Debt per Capita
2022	201,556	20,842,717,348	103,409	\$ 1,705,940,000	8.18%	\$ 8,464
2023	213,772	25,312,808,968	118,410	\$ 2,834,465,000	11.20%	\$ 13,259
2024	226,811	26,573,258,566 ^(d)	117,160	\$ 3,114,890,000	11.72%	\$ 13,733
2025	243,137	31,195,145,068 ^(d)	128,303	\$ 3,058,595,000	9.80%	\$ 12,580
2026 ^(a)	252,518	28,610,945,363 ^(c)	113,303	\$ 3,603,595,000 ^(f)	12.60% ^(f)	\$ 14,271 ^(f)

^(a) The District changed its fiscal year end to June 30 beginning with its fiscal year ending June 30, 2026.

^(b) Source: Municipal Advisory Council of Texas.

^(c) Established by the Fort Bend Central Appraisal District. Subject to change during ensuing year.

^(d) Values include the application of a \$100,000 State mandated general homestead exemption and a \$10,000 state-mandated residence homestead exemption for persons 65 years of age or older.

^(e) Values include the application of a \$140,000 State mandated general homestead exemption and a \$60,000 state-mandated residence homestead exemption for persons 65 years of age or older and the disabled.

^(f) Includes the Bonds. Preliminary, subject to change.

TABLE 4 – TAX RATE, LEVY, AND COLLECTION HISTORY

Fiscal Year		Collections					
Ended		General	Interest & Sinking	Net Tax	% Current	% Total	
8/31	Tax Rate	Fund	Fund	Levy	Net Tax Levy ^(b)	Net Tax Levy ^(b)	
2022	\$ 1.24200	\$ 0.87200	\$ 0.37000	\$ 257,429,303	99.18%	100.02%	
2023	1.24200	0.85460	0.38740	312,297,511	99.03%	99.65%	
2024	1.14920	0.66920	0.48000	298,857,216	98.82%	99.13%	
2025	1.14690	0.66690	0.48000	337,347,528	98.86%	98.86%	
2026 ^(a)	1.14690	0.66690	0.48000	340,050,708 ^(c)	81.90% ^(c)	81.92% ^(c)	

^(a) The District changed its fiscal year end to June 30 beginning with its fiscal year ending June 30, 2026.

^(b) Excludes penalties and interest.

^(c) Source: The District's records as of January 31, 2026. Unaudited. Unaudited information has not been prepared or reviewed by the District's independent auditor. Such unaudited information is derived from internal account balances of the District and is subject to change.

TABLE 5 – PRINCIPAL TAXPAYERS

Principal Taxpayer	Type of Property	2025/26 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
NRG Texas Power LLC	Electric Utility/Power Plant	\$ 269,509,148	0.94%
CenterPoint Energy Electric	Electric Utility/Power Plant	267,673,313	0.94%
Frito-Lay Inc	Food Packaging/Distribution	104,633,280	0.37%
Dollar Tree Distribution Inc.	Wholesale Supplier/Distribution Center	103,010,826	0.36%
Frito-Lay Inc	Food Packaging/Distribution	84,589,910	0.30%
GF 2977 LP	Independent	81,936,250	0.29%
Aldi (Texas) LLC	Grocery Store	73,144,186	0.26%
Ryon Owner LLC	Independent	72,367,288	0.25%
Seaway Crude Pipeline Co.	Oil & Gas Pipeline	70,933,376	0.25%
Dollar Tree Distribution Inc.	Wholesale Supplier/Distribution Center	70,233,013	0.25%
		<u>\$ 1,198,030,590</u>	<u>4.19%</u>

Source: Municipal Advisory Council of Texas.

TABLE 6 – TAX ADEQUACY

2026 Principal and Interest Requirements	\$ 168,513,044 ^(a)
Less: Payment from other sources.....	<u>(43,000,000) ^(b)</u>
Net Principal and Interest Requirements.....	125,513,044
\$0.4432 Tax Rate on 2025/26 Taxable Assessed Valuation at 99.0% Collection Produces.....	125,535,673
Estimated Average Annual Debt Service Requirements (2026/27 – 2061/62).....	\$ 183,768,915 ^(a)
Less: Payment from other sources.....	<u>(43,000,000) ^(b)</u>
Net Average Annual Debt Service Requirements (2026/27 – 2061/62).....	140,768,915
\$0.4970 Tax Rate on 2025/26 Taxable Assessed Valuation at 99.0% Collections Produces.....	140,774,434
Estimated Maximum Annual Debt Service Requirements (2033/34).....	\$ 218,860,319 ^(a)
Less: Payment from other sources.....	<u>(43,000,000) ^(b)</u>
Net Maximum Annual Debt Service Requirements (2033/34).....	175,860,319
\$0.6209 Tax Rate on 2025/26 Taxable Assessed Valuation at 99.0% Collections Produces.....	175,868,906

^(a) Preliminary, subject to change. Includes the Bonds.

^(b) Includes delinquent tax collections, investment earnings and other sources. For additional information, see "TABLE 9 – INTEREST AND SINKING FUND BUDGET PROJECTION."

TABLE 7 – ESTIMATED OVERLAPPING DEBT

Taxing Jurisdiction	Gross Tax Debt as of 12/31/2025	Overlapping Debt	
		Percentage Overlapping	Overlapping Amount
Fort Bend Co	\$ 1,235,264,389	25.31%	\$ 312,645,417
Fort Bend Co Drg Dist	21,645,000	25.31%	5,478,350
Fort Bend Co LID # 6	35,175,000	100.00%	35,175,000
Fort Bend Co LID # 10	9,095,000	100.00%	9,095,000
Fort Bend Co LID # 11	19,565,000	100.00%	19,565,000
Fort Bend Co LID # 12	3,755,000	44.94%	1,687,497
Fort Bend Co LID # 20	8,550,000	100.00%	8,550,000
Fort Bend Co MUD # 5	65,880,000	100.00%	65,880,000
Fort Bend Co MUD # 19	8,150,000	100.00%	8,150,000
Fort Bend Co MUD # 50	80,680,000	86.22%	69,562,296
Fort Bend Co MUD # 66	995,000	100.00%	995,000
Fort Bend Co MUD # 81	19,100,000	100.00%	19,100,000
Fort Bend Co MUD # 94	1,920,000	100.00%	1,920,000
Fort Bend Co MUD #116	10,325,000	100.00%	10,325,000
Fort Bend Co MUD #121	28,665,000	100.00%	28,665,000
Fort Bend Co MUD # 122	18,995,000	100.00%	18,995,000
Fort Bend Co MUD # 123	32,260,000	100.00%	32,260,000
Fort Bend Co MUD # 132	40,190,000	100.00%	40,190,000
Fort Bend Co MUD # 133	78,350,000	100.00%	78,350,000
Fort Bend Co MUD # 140	13,970,000	100.00%	13,970,000
Fort Bend Co MUD # 142	108,960,000	70.39%	76,696,944
Fort Bend Co MUD # 143	59,650,000	42.44%	25,315,460
Fort Bend Co MUD # 144	30,195,000	100.00%	30,195,000
Fort Bend Co MUD # 145	5,415,000	100.00%	5,415,000
Fort Bend Co MUD # 146	42,655,000	71.29%	30,408,750
Fort Bend Co MUD # 147	18,890,000	100.00%	18,890,000
Fort Bend Co MUD # 148	4,685,000	100.00%	4,685,000
Fort Bend Co MUD # 151	54,970,000	37.37%	20,542,289
Fort Bend Co MUD # 152	63,670,000	100.00%	63,670,000
Fort Bend Co MUD # 155	33,990,000	100.00%	33,990,000
Fort Bend Co MUD #158	10,490,000	100.00%	10,490,000
Fort Bend Co MUD # 159	4,790,000	100.00%	4,790,000
Fort Bend Co MUD # 162	55,235,000	100.00%	55,235,000
Fort Bend Co MUD # 167	21,230,000	100.00%	21,230,000
Fort Bend Co MUD # 169	60,222,232	100.00%	60,222,232
Fort Bend Co MUD # 170	75,154,745	100.00%	75,154,745
Fort Bend Co MUD # 174	35,535,000	100.00%	35,535,000
Fort Bend Co MUD # 175	26,905,000	100.00%	26,905,000
Fort Bend Co MUD # 176	16,245,000	100.00%	16,245,000
Fort Bend Co MUD # 182	178,125,000	75.44%	134,377,500
Fort Bend Co MUD # 184	60,595,000	100.00%	60,595,000
Fort Bend Co MUD # 187	31,755,000	100.00%	31,755,000
Fort Bend Co MUD # 188	29,650,000	100.00%	29,650,000
Fort Bend Co MUD # 192	12,825,000	100.00%	12,825,000
Fort Bend Co MUD # 194	61,305,000	89.80%	55,051,890
Fort Bend Co MUD # 195	9,668,822	100.00%	9,668,822

TABLE 7 – ESTIMATED OVERLAPPING DEBT

Taxing Jurisdiction	Gross Tax Debt as of 12/31/2025	Overlapping Debt	
		Percentage Overlapping	Overlapping Amount
Fort Bend Co MUD # 198	60,118,392	100.00%	60,118,392
Fort Bend Co MUD # 200	9,430,000	100.00%	9,430,000
Fort Bend Co MUD # 207	15,100,000	100.00%	15,100,000
Fort Bend Co MUD # 215	71,130,000	100.00%	71,130,000
Fort Bend Co MUD # 216	21,000,000	100.00%	21,000,000
Fort Bend Co MUD # 218	31,475,000	100.00%	31,475,000
Fort Bend Co MUD # 220	34,570,000	100.00%	34,570,000
Fort Bend Co MUD # 222	51,650,000	100.00%	51,650,000
Fort Bend Co MUD #225	10,170,000	100.00%	10,170,000
Fort Bend Co MUD # 229	71,795,000	100.00%	71,795,000
Fort Bend Co MUD # 232	8,650,000	100.00%	8,650,000
Fort Bend Co MUD # 233	25,440,000	100.00%	25,440,000
Fort Bend Co MUD # 245	10,240,000	100.00%	10,240,000
Fort Bend Co MUD # 246	7,700,000	100.00%	7,700,000
Fort Bend Co WC&ID #3	6,870,000	100.00%	6,870,000
Fort Bend Co WC&ID # 8	1,125,000	100.00%	1,125,000
Ft Bd-Waller Cos MUD #3	48,965,000	41.04%	20,095,236
Fulshear MUD # 1	74,940,000	100.00%	74,940,000
Fulshear MUD # 2	24,610,000	100.00%	24,610,000
Fulshear MUD # 3A	149,735,000	97.94%	146,650,459
Fulshear, Town of	-	48.90%	-
Pecan Grove MUD	48,885,000	36.78%	17,979,903
Plantation MUD	1,475,000	100.00%	1,475,000
Richmond, City of	74,685,000	99.58%	74,371,323
Rosenberg, City of	75,054,000	99.50%	74,678,730
Sugar Land, City of	388,730,000	11.19%	43,498,887
Williams Ranch MUD # 1	5,735,000	100.00%	5,735,000
Willow Creek Farms MUD	38,250,000	16.93%	6,475,725
Total Estimated Overlapping Debt.....			\$ 2,657,070,846
Lamar CISD			\$ 3,568,560,000 ^(a)
Total Direct and Overlapping Debt.....			\$ 6,225,630,846
Total Direct and Overlapping Debt % of 2026 Assessed Valuation.....			21.76%
Total Direct and Overlapping Debt per Capita.....			\$ 24,654 ^(b)

Source: Municipal Advisory Council of Texas.

^(a) Preliminary, subject to change. Includes the Bonds.

^(b) Based on the 2025/26 estimated population of 252,518.

Table 8
PRO-FORMA OUTSTANDING TAX DEBT SERVICE

Fiscal Year Ending 8/31 ^(a)	Outstanding Debt Service Requirements	Plus: The Bonds*		Total Debt Service Requirements*
		Principal	Interest	
2026	168,513,044			168,513,044
2027	168,504,144		\$23,435,000	191,939,144
2028	168,507,894	\$3,620,000	24,525,000	196,652,894
2029	168,514,644	3,785,000	24,362,100	196,661,744
2030	176,362,144	3,955,000	24,191,775	204,508,919
2031	181,418,769	4,135,000	24,013,800	209,567,569
2032	189,090,469	4,320,000	23,827,725	217,238,194
2033	189,086,756	4,515,000	23,633,325	217,235,081
2034	190,715,169	4,715,000	23,430,150	218,860,319
2035	190,711,494	4,930,000	23,217,975	218,859,469
2036	190,706,144	5,150,000	22,996,125	218,852,269
2037	189,674,569	5,385,000	22,764,375	217,823,944
2038	189,673,744	5,625,000	22,522,050	217,820,794
2039	187,034,144	5,880,000	22,268,925	215,183,069
2040	187,032,169	6,140,000	22,004,325	215,176,494
2041	187,033,328	6,420,000	21,728,025	215,181,353
2042	187,045,363	6,710,000	21,439,125	215,194,488
2043	187,037,013	7,010,000	21,137,175	215,184,188
2044	175,585,813	17,230,000	20,821,725	213,637,538
2045	176,702,013	18,005,000	20,046,375	214,753,388
2046	169,633,013	18,815,000	19,236,150	207,684,163
2047	169,631,938	19,660,000	18,389,475	207,681,413
2048	162,522,288	20,545,000	17,504,775	200,572,063
2049	159,842,931	21,470,000	16,580,250	197,893,181
2050	154,369,069	22,440,000	15,614,100	192,423,169
2051	135,867,225	23,445,000	14,604,300	173,916,525
2052	128,029,231	24,505,000	13,549,275	166,083,506
2053	128,033,706	25,605,000	12,446,550	166,085,256
2054	128,032,350	26,755,000	11,294,325	166,081,675
2055	128,028,775	27,960,000	10,090,350	166,079,125
2056	128,024,050	29,220,000	8,832,150	166,076,200
2057	128,028,388	30,535,000	7,517,250	166,080,638
2058	127,769,831	31,910,000	6,143,175	165,823,006
2059	53,881,913	33,345,000	4,707,225	91,934,138
2060	33,449,263	34,845,000	3,206,700	71,500,963
2061	33,452,675	36,415,000	1,638,675	71,506,350
2062	23,184,600	-	-	23,184,600
	<u>\$ 5,640,730,065</u>	<u>\$ 545,000,000</u>	<u>\$ 613,719,800</u>	<u>\$ 6,799,449,865</u>

* Preliminary, subject to change.

^(a) The District's fiscal year end is June 30, however, for purposes of tax rate levy the table shown above is based on an August 31 fiscal year end.

TABLE 9 – INTEREST AND SINKING FUND BUDGET PROJECTION ^(b)

Interest and Sinking Fund Balance, August 31, 2025	\$ 62,569,616
Plus: 2025/26 Estimated Interest and Sinking Fund Tax Levy @ 99% collections	147,136,403 ^(a)
Plus: 2025/26 Estimated Penalties, Interest and Delinquent Taxes	550,000
Plus: 2025/26 Budgeted Earnings on Investments	1,500,000
Plus: 2025/26 Estimated Other Revenue (State Hold Harmless Funding)	20,826,641
Less: Tax Supported Debt Service Requirements, Fiscal Year Ending June 30, 2026	(168,513,044) *
Estimated Interest and Sinking Fund Balance June 30, 2026	<u>\$ 64,069,616</u>

* Preliminary, subject to change.

^(a) Includes frozen taxes.

TABLE 10 – AUTHORIZED BUT UNISSUED UNLIMITED TAX BONDS

Proposition	Purpose	Date Authorized	Amount Authorized	Authorization Used This Issue ⁽¹⁾	Unused Authorization
Proposition A	School Buildings and Buses	11/4/2025	\$ 1,900,000,000	\$ 516,720,000	\$ 1,383,280,000
Proposition C	Instructional Technology	11/4/2025	\$ 44,100,000	\$ 22,175,000	\$ 21,925,000
Proposition D	Instructional Technology Equipment	11/4/2025	\$ 10,600,000	\$ 6,105,000	\$ 4,495,000

⁽¹⁾ Includes premium charged to voted authorization

TABLE 11 – OTHER OBLIGATIONS

Leases – The District has entered into multiple lease agreements for printers, postage meters, copiers, and technology arrangements and solutions. The leases have various interest rates and payments terms. The remaining principal and interest payments on such leases are as follows:

Fiscal Year Ended (6/30) ^(a)	Principal	Interest	Total Requirements
2026	\$ 350,422	\$ 30,018	\$ 380,440
2027	359,462	20,676	380,138
2028	369,053	11,085	380,138
2029	219,812	1,934	221,746
	<u>\$ 1,298,749</u>	<u>\$ 63,713</u>	<u>\$ 1,362,462</u>

Source: The District's Annual Comprehensive Financial Report for the fiscal year ended August 31, 2025.

In fiscal year 2025, the District reported several subscription-based information technology arrangements in accordance with GASB Statement No. 96 Subscription-Based Information Technology Arrangements (SBITA). The District is under contract for various professional and educational software. The future principal and interest SBITA payments as of August 31, 2025 were as follows:

Fiscal Year Ended (6/30) ^(a)	Principal	Interest	Total Requirements
2026	\$ 457,297	\$ 30,606	\$ 487,903
2027	398,833	17,120	415,953
2028	174,629	5,324	179,953
	<u>\$ 1,030,759</u>	<u>\$ 53,050</u>	<u>\$ 1,083,809</u>

Source: The District's Annual Comprehensive Financial Report for the fiscal year ended August 31, 2025.

^(a) The District changed its fiscal year end to June 30 beginning with its fiscal year ending June 30, 2026.

TABLE 12 – CHANGE IN NET POSITION

	Fiscal Year Ended August 31 ^(a)				
	2025	2024	2023	2022	2021
Revenues:					
Program Revenues					
Charges for services	\$ 13,365,491	\$ 12,108,232	\$ 11,589,651	\$ 7,402,107	\$ 4,356,623
Operating grants and contributions	53,273,560	71,303,098	65,178,467	60,448,113	62,614,105
General Revenues					
Property taxes	335,714,162	299,287,273	314,501,975	259,376,109	238,829,683
State-aid formula grants	260,316,380	253,482,591	161,468,521	170,171,047	146,570,329
Investment earnings	74,567,663	90,899,223	53,274,578	4,107,945	233,191
Miscellaneous	1,155,872	2,626,921	1,955,465	3,054,736	3,532,281
Total Revenues	\$ 738,393,128	\$ 729,707,338	\$ 607,968,657	\$ 504,560,057	\$ 456,136,212
Expenses:					
Instruction	\$ 355,904,745	\$ 335,190,544	\$ 312,312,189	\$ 284,169,717	\$ 289,194,097
Instructional resources and media services	3,976,298	3,421,876	3,027,060	2,472,231	2,634,814
Curriculum and staff development	4,217,178	4,207,578	4,616,731	4,436,460	4,396,163
Instructional leadership	8,093,906	7,819,778	6,516,083	5,324,074	4,278,790
School leadership	30,622,251	26,693,450	24,834,195	22,211,390	22,600,911
Guidance, counseling and evaluation services	18,935,606	18,325,123	15,821,862	14,437,849	15,029,232
Social work services	1,190,186	1,152,670	1,051,098	850,230	924,399
Health services	5,639,112	5,182,710	4,793,902	4,312,617	4,164,462
Student transportation	24,167,372	23,360,792	17,635,007	16,058,879	14,780,108
Food Services	29,785,244	28,878,880	24,282,495	18,374,855	15,454,279
Extracurricular activities	20,799,523	17,798,261	17,357,177	15,647,243	12,887,682
General administration	12,868,324	11,007,090	9,255,256	8,519,139	8,236,583
Plant, maintenance and operations	63,363,718	47,874,032	43,684,786	38,904,450	34,196,163
Security and monitoring services	1,113,161	10,623,748	7,843,271	5,889,492	5,355,472
Data processing services	13,114,422	11,982,251	16,021,772	13,891,429	13,346,844
Community services	499,363	629,414	557,752	435,742	569,951
Interest on long-term debt	125,504,524	118,957,104	87,275,395	54,439,037	47,465,547
Payments related to shared services arrangements	0	0	1,654,392	279,413	45,324
Other governmental charges	3,360,733	3,113,792	2,340,574	2,052,407	1,703,918
Total Expenses	\$ 723,155,666	\$ 676,219,093	\$ 600,880,997	\$ 512,706,654	\$ 497,264,739
Change in Net Position	\$ 15,237,462	\$ 53,488,245	\$ 7,087,660	\$ (8,146,597)	\$ (41,128,527)
Net Position - Beginning	(168,022,140)	(221,510,385)^(b)	(244,054,009)	(235,907,412)	(194,778,885)
Net Position - Ending	\$ (152,784,678)	\$ (168,022,140)	\$ (236,966,349)	\$ (244,054,009)	\$ (235,907,412)

Source: The District's audited financial statements.

^(a) The District changed its fiscal year end to June 30 beginning with its fiscal year ending June 30, 2026.

^(b) Restated

TABLE 12A – GENERAL FUND REVENUE AND EXPENDITURE HISTORY

	Fiscal Year Ended August 31 ⁽⁶⁾				
	2025	2024	2023	2022	2021
Revenues:					
Local, Intermediate and Out-of-State	\$ 204,137,759	\$ 183,427,946	\$ 224,336,853	\$ 185,615,973	\$ 175,551,540
State Program Revenues	269,076,741	257,919,506	178,308,448	187,700,446	162,381,046
Federal Program Revenues	1,754,261	1,896,100	5,662,610	6,370,514	4,942,664
Total Revenues	\$ 474,968,761	\$ 443,243,552	\$ 408,307,911	\$ 379,686,933	\$ 342,875,250
Expenditures:					
Instruction	\$ 294,407,807	\$ 267,749,424	\$ 251,369,389	\$ 238,576,411	\$ 225,188,706
Instructional Resources and Media Services	2,588,092	2,370,230	2,316,633	2,047,187	1,783,133
Curriculum and Instructional Staff Development	3,514,785	3,203,152	3,193,737	3,293,977	3,649,483
Instructional Leadership	7,793,227	7,089,567	6,358,800	5,297,406	3,375,278
School Leadership	29,249,528	26,824,652	24,435,888	22,992,288	20,701,475
Guidance, Counseling and Evaluation Services	16,740,432	15,045,797	13,581,465	12,846,499	11,276,622
Social Work Services	982,039	752,546	737,259	686,604	638,272
Health Services	5,281,254	4,972,837	4,669,776	4,326,750	3,880,100
Student Transportation	20,833,751	20,967,436	15,263,705	14,046,069	11,983,007
Food Services	87,043	20,157	26,666	5,513	13,241
Extracurricular Activities	11,955,898	10,971,745	11,122,622	10,250,687	8,655,746
General Administration	12,211,635	10,562,914	8,971,055	7,950,206	7,688,385
Facilities Maintenance and Operations	47,807,974	44,338,264	38,057,380	37,139,752	29,799,390
Security and Monitoring Services	10,268,713	9,183,023	5,977,098	4,869,821	4,874,417
Data Processing Services	10,199,570	8,751,514	8,172,745	7,330,427	6,157,100
Community Services	336,992	385,483	462,421	375,456	388,310
Debt Service	993,197	1,151,524	1,539,195	572,972	-
Capital Outlay	823,716	710,719	666,363	410,237	726,347
Other Intergovernmental Charges	3,360,733	3,113,792	2,340,574	2,052,407	1,703,918
Total Expenditures	\$ 479,436,386	\$ 438,164,776	\$ 399,262,771	\$ 375,070,669	\$ 342,482,930
Excess (Deficiency) of Revenues Over Expenditures	\$ (4,467,625)	\$ 5,078,776	\$ 9,045,140	\$ 4,616,264	\$ 392,320
Other Financing Sources (Uses):					
Transfers In (Out)	\$ (19,633)	\$ (18,571)	\$ (15,754)	\$ -	\$ -
Proceeds from Right To Use Lease and SBITA Assets	-	-	2,344,954	-	-
Other Resources (Uses)	-	2,853,174	-	-	-
Total Other Financing Sources (Uses)	\$ (19,633)	\$ 2,834,603	\$ 2,329,200	\$ -	\$ -
Net Change in Fund Balance	\$ (4,487,258)	\$ 7,913,379	\$ 11,374,340	\$ 4,616,264	\$ 392,320
Beginning General Fund Balance	100,462,303	92,548,924	81,174,584	76,558,320	76,166,000
Ending General Fund Balance	\$ 95,975,045	\$ 100,462,303	\$ 92,548,924	\$ 81,174,584	\$ 76,558,320

Source: The District's audited financial statements.

⁽⁶⁾ The District changed its fiscal year end to June 30 beginning with its fiscal year ending June 30, 2026. The District anticipates its General Fund balance for the fiscal year ending June 30, 2026 to be approximately \$4,000,000(unaudited).

TABLE 13 – CURRENT INVESTMENTS

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

Description	Book Value ^(a)	Percent of Total Market Value
TexPool	\$ 489,561,168	37.14%
MBIA Texas CLASS Fund	369,558,286	28.04%
TEXSTAR	222,459,612	16.88%
Lone Star Investment Pool Government Overnight Fund	77,644,080	5.89%
Texas Range Fund	158,915,962	12.06%
	\$ 1,318,139,108	100.00%

Source: The District's audited financial statements.

APPENDIX B

GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY

GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY

The Lamar Consolidated Independent School District (the “District”) encompasses approximately 385 square miles in Fort Bend County and includes the vast majority of the Cities of Richmond, Rosenberg and Beasley along with a portion of Sugar Land, Fulshear and other unincorporated areas within Fort Bend County. An estimated 247,137 people live within the District’s boundaries.

The District is governed by a seven-member Board of Trustees (the “Board”) who serve staggered four-year terms with elections being held in May of each odd-numbered year. Policymaking 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.

DISTRICT FACILITIES

The District owns and operates 56 instructional facilities which are fully accredited by the Texas Education Agency. The number and types of instructional facilities are as follows:

<u>School Classification</u>	<u>Number of Facilities</u>
Senior High Schools (grades 9-12)	7
Junior High Schools (grades 7-8)	7
Middle Schools (grade 6)	7
Elementary Schools	35
Early Childhood Center	1
Special Sites	<u>4</u>
Total	61

DISTRICT ENROLLMENT INFORMATION

Student Enrollment History

<u>Academic Year</u>	<u>Total Students</u>	<u>Increase / (Decrease)</u>	<u>Percentage Change</u>
2014/15	28,332	1,253	4.63%
2015/16	29,692	1,360	4.80%
2016/17	30,829	1,137	3.83%
2017/18	32,146	1,317	4.27%
2018/19	33,444	1,298	4.04%
2019/20	35,156	1,712	5.12%
2020/21	36,519	1,363	3.88%
2021/22	39,579	3,060	8.38%
2022/23	42,461	2,882	7.28%
2023/24	44,512	2,051	4.83%
2024/25	46,786	2,008	5.11%
2025/26	48,079	1,293	2.76%

Source: Texas Education Agency – PEIMS Student Enrollment Reports.

Projected Student Enrollment

<u>Academic Year</u>	<u>Total Students</u>	<u>Increase / (Decrease)</u>	<u>Percentage Change</u>
2026/27	50,220	2,141	4.45%
2027/28	52,632	2,412	4.80%
2028/29	55,147	2,515	4.78%
2029/30	57,695	2,548	4.62%

Source: District projections.

DISTRICT EMPLOYMENT INFORMATION

	Academic Year				
	2024-25	2023-24	2022-23	2021-22	2020-21
Teachers	2,759	2,602	2,372	2,383	2,299
Professional Support	539	532	592	577	535
Administration	199	188	153	157	141
Educational Aids	618	509	436	469	445
Auxiliary	1,586	1,130	1,101	1,058	1,008
Total Staff	5,701	4,961	4,654	4,644	4,428

Source: Texas Education Agency – Texas Academic Performance Reports.

DISTRICT ECONOMY

The District is located in a petroleum-producing and agricultural area that includes the cities of Rosenberg and Richmond. The City of Rosenberg, located 32 miles southwest of downtown Houston on U.S. Highway 59, had a 2010 population of 30,618, and a 2020 population of 38,282. The City of Richmond, the county seat, had a 2010 population of 11,679 and an estimated 2020 population of 11,627.

Source: United States Census Bureau.

COUNTY CHARACTERISTICS

The economy of Fort Bend County is primarily made up of the agriculture, petrochemicals, technology, and sugar refining industries. In addition, Fort Bend County is part of the Houston Metropolitan Statistical Area, with many county residents commuting to jobs in the Houston area.

LABOR STATISTICS

Calendar Year	Fort Bend County			
	Labor Force	Total Employment	Unemployment	Unemployment Rate
2014	346,538	330,674	15,864	4.58%
2015	356,003	340,720	15,283	4.29%
2016	367,050	348,684	18,366	5.00%
2017	372,854	355,381	17,473	4.69%
2018	382,850	367,535	15,315	4.00%
2019	395,228	381,510	13,718	3.47%
2020	400,509	369,972	30,537	7.62%
2021	407,603	383,362	24,241	5.95%
2022	418,649	402,222	16,427	3.92%
2023	432,297	415,144	17,153	3.97%
2024	474,839	456,944	17,895	3.80%
2025	479,870	460,345	19,525	4.10%

Source: Texas Workforce Commission.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

March 24, 2026

Norton Rose Fulbright US LLP
98 San Jacinto Boulevard, Suite 1100
Austin, Texas 78701-4255
United States

Tel +1 512 474 5201
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nortonrosefulbright.com

DRAFT

IN REGARD to the authorization and issuance of the “Lamar Consolidated Independent School District Unlimited Tax Schoolhouse Bonds, Series 2026” (the *Bonds*), dated March 1, 2026, in the aggregate original principal amount of \$____,____,____, we have reviewed the legality and validity of the issuance thereof by the Lamar Consolidated Independent School District (the *Issuer*). The Bonds are issuable in fully registered form only, in denominations of \$5,000 or any integral multiple thereof (within a Stated Maturity). The Bonds have Stated Maturities of February 15 in each of the years 20__ through 20__, unless redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Bonds. Interest on the Bonds accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the order (the *Order*) authorizing the issuance of the Bonds. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Order.

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

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

Legal Opinion of Norton Rose Fulbright US LLP, Austin, Texas, in connection with the authorization and issuance of “LAMAR CONSOLIDATED INDEPENDENT SCHOOL DISTRICT UNLIMITED TAX SCHOOLHOUSE BONDS, SERIES 2026”

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

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

WE EXPRESS NO OTHER OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, 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 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.

Norton Rose Fulbright US LLP

APPENDIX D

**EXCERPTS FROM THE
LAMAR CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT**

For the Year Ended August 31, 2025

The information contained in this Appendix consists of excerpts from the Lamar Consolidated 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 Report for further information.

The District has not requested Whitley Penn LLP, to reissue its audited financial statements and Whitley Penn LLP, has not performed any procedures in connection with the Official Statement.

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Lamar Consolidated Independent School District

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lamar Consolidated Independent School District (the "District"), as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

To the Board of Trustees
Lamar Consolidated Independent School District

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

To the Board of Trustees
Lamar Consolidated Independent School District

Supplementary Information

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section, statistical section, and Schedule L-1 but does not include the basic financial statements and our auditor’s report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2026 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.


Houston, Texas
February 17, 2026



LAMAR CONSOLIDATED INDEPENDENT SCHOOL DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Lamar Consolidated Independent School District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended August 31, 2025.

Financial Highlights

- The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at the close of the fiscal year by \$152.8 million (net deficit). This deficit in unrestricted net position is mainly due to the District's noncurrent liabilities of \$135.9 million for the District's portion of the Teacher's Retirement System (TRS) net pension liability and \$83.1 million for the District's portion of the TRS net other post-employment benefits liability (OPEB). The District's total net position increased by \$15.2 million during the fiscal year.
- As of the close of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$1.3 billion, reflecting a decrease of \$422.5 million from the prior year. The reduction was primarily driven by construction-related expenditures in the capital projects fund, debt service payments offset by the net effect of tax refunding bond issuances in the debt service fund, and operating expenditures exceeding revenues in the general fund and the child nutrition fund.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$85.0 million, or 18 percent of total general fund expenditures.
- The fund balance in the Child Nutrition Fund decreased by \$3.3 million during the fiscal year, primarily due to food service operating expenditures exceeding federal meal reimbursement revenues.
- The District's total bonded debt decreased by \$63.9 million during the current fiscal year. This net decrease primarily resulted from the issuance of \$195.4 million in refunding bonds offset by \$211.6 million in refunded bonds, and the retirement of \$37.4 million of outstanding bond principal. In addition, the net premiums and discounts on bonded debt declined by \$10.3 million during the year.

Overview of the Financial Statements

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

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

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

The *Statement of Activities* presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused sick leave).

LAMAR CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The government-wide financial statements of the District are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District include Instruction, Instructional Resources and Media Services, Curriculum and Instructional Staff Development, Instructional Leadership, School Leadership, Guidance, Counseling, and Evaluation Services, Social Work Services, Health Services, Student Transportation, Food Services, Co-curricular/Extracurricular Activities, General Administration, Facilities Maintenance and Operations, Security and Monitoring Services, Data Processing Services, Community Services, Principal on Long-term Debt, Interest on Long-term Debt, Bond Issuance Costs and Fees, Facilities Acquisition and Construction and Payments related to Shared Services Arrangements.

The government-wide financial statements can be found starting on page 19 of this report.

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

Governmental Funds 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 District'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 District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and the capital projects fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in the financial statements. The District adopts an annual appropriated budget for its general fund, debt service fund, and the Child Nutrition Fund, a special revenue fund.

The basic governmental fund financial statements can be found starting on page 22 of this report.

Proprietary Fund - The District maintains two internal service funds, one type of proprietary fund. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the District's various funds and functions. The District uses internal service funds to account for its self-funded health insurance and workers' compensation insurance programs. Because their service predominantly benefits governmental functions, it has been included within *governmental activities* in the government-wide financial statements.

Proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The internal service fund financial statements provide separate information for the Health Insurance Fund and the Workers' Compensation Fund.

The basic proprietary fund financial statements can be found starting on page 29 of this report.

LAMAR CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Fiduciary Funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary fund financial statement can be found starting on page 32 of this report.

Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 35 of this report.

Required Supplementary Information In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. The required supplementary information relates to comparison of the original adopted budget, the final amended budget, and the actual amounts for the fiscal year. This is required supplementary information for the general fund and any major special revenue funds. The District did not have any major special revenue funds; therefore, only the general fund is presented as required supplementary information. The Schedule of the District's Proportionate Share of the Net Pension Liability and Net OPEB Liability and the Schedule of District Contributions - Pension and OPEB are also required supplementary information. The required supplementary information can be found starting on page 72 of this report.

Other Information The combining and individual fund statements and required TEA schedules are presented immediately following the required supplementary information and can be found starting on page 84 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$152.8 million (net deficit) at the close of the most recent fiscal year.

The District's investment in capital assets (e.g., land, buildings and improvements, furniture and equipment, construction in progress, and right-to-use assets), less any outstanding related debt used to acquire those assets totaled a deficit of \$129.5 million. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

A summary of net position at August 31, 2025 and 2024, (in 000's) follows:

	Governmental Activities	
	2025	2024
Current and other assets	\$ 1,384,324	\$ 1,809,059
Capital assets net of depreciation and amortization	2,108,312	1,719,955
Total Assets	3,492,636	3,529,014
Total Deferred Outflows of Resources	88,891	93,971
Current liabilities	102,736	102,457
Noncurrent liabilities	3,531,244	3,584,330
Total Liabilities	3,633,980	3,686,787
Total Deferred Inflows of Resources	100,331	104,220
Net Position:		
Net invested in capital assets	(129,511)	(161,383)
Restricted	67,175	80,319
Unrestricted	(90,449)	(86,958)
Total Net Position	\$ (152,785)	\$ (168,022)

LAMAR CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Of total net position, \$67.2 million is restricted for state and federal programs, debt service, and child nutrition. The District's net position increased by \$15.2 million during the current fiscal year.

Local revenues remained strong due to continued tax collection experience and state revenue growth. State revenues increased due to growth in enrollment, attendance and participation. State hold harmless parameters also supported the District's funding, and prior-year state aid settlements contributed to healthy revenues for the year. Overall revenue growth helped to support higher costs for personnel and benefits, instructional resources and facility construction and maintenance, all of which serve the increasing number of students and educational requirements. The pension, OPEB and higher operating costs resulted in the District's unrestricted net position at August 31, 2025 being a negative \$90.4 million.

A summary of changes in net position for the years ended August 31, 2025 and 2024, (in 000's) follows:

	Governmental Activities	
	2025	2024
Program Revenues		
Charges for services	\$ 13,365	\$ 12,108
Operating grants	53,274	71,303
General Revenues		
Property taxes	335,714	299,287
State aid	260,316	253,483
Interest earnings	74,568	90,899
Other	1,156	2,627
Total Revenues	738,393	729,707
Expenses		
Instruction	355,905	335,191
Instructional resources and media services	3,976	3,422
Curriculum and staff development	4,217	4,207
Instructional leadership	8,094	7,820
School leadership	30,622	26,693
Guidance, counseling, and evaluation services	18,936	18,325
Social work services	1,190	1,153
Health services	5,639	5,183
Student transportation	24,167	23,361
Food service	29,785	28,879
Extracurricular activities	20,800	17,798
General administration	12,868	11,007
Facilities, maintenance and operations	63,364	47,874
Security and monitoring services	1,113	10,624
Data processing services	13,114	11,982
Community services	499	629
Interest on long-term debt	125,506	118,957
Other intergovernmental charges	3,361	3,114
Total Expenses	723,156	676,219
Increase (Decrease) in Net Position	15,237	53,488
Beginning Net Position	(168,022)	(221,510)
Ending Net Position	\$ (152,785)	\$ (168,022)

LAMAR CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Governmental Activities

The District's net position increased by \$15.2 million. Key elements of this are as follows:

Revenues are generated primarily from three sources. Grants and contributions totaling \$53.3 million represents 7% of total revenues, state aid totaling \$260.3 million represents 35% of total revenues, and property taxes totaling \$335.7 million represents 45% of total revenues. The remaining is generated from charges for services, investment earnings, and miscellaneous revenues. The primary functional expense of the District is instruction (functional categories 11, 12 and 13), (totaling \$364.4 million) and represents 50% of total expenses on a government-wide basis, while interest on long-term debt is \$125.5 million and represents 17% of total expenses. Plant maintenance and operations costs of \$63.4 million represent 9% of total expenses. Administrative costs totaled \$12.9 million, a low 2% of total expenses.

Financial Analysis of the Government's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1.3 billion, representing a decrease of \$422.5 million compared to the prior year. This reduction is primarily attributable to \$468.1 million in capital project fund expenditures, as well as expenditures from the debt service fund related to bond refundings and scheduled principal and interest payments in the amount of \$173.8 million.

In December 2024, the District issued \$195.4 million of Unlimited Tax Refunding Bonds, Series 2024A, which included \$17.3 million in bond premium, with interest rates ranging from 4% to 5%. Net proceeds from the issuance were used to refinance \$108.9 million of Unlimited Tax Schoolhouse and Refunding Bonds, Series 2015, and \$102.7 million of Unlimited Tax Refunding Bonds, Series 2016A. The refunding was undertaken to take advantage of favorable market conditions and to reduce the District's overall debt service obligations. As a result of this transaction, savings in interest costs to the District's taxpayers will total \$21.3 million (or \$15.1 million in present value) over a 19-year repayment schedule. The True Interest Cost (TIC) of 3.569% achieved on this sale is favorable in light of an economic environment of rising interest rates and recent volatility in the market.

The general fund is the chief operating fund of the District. During the current fiscal year, the unassigned fund balance of the general fund closed at \$85.0 million, while total fund balance culminated at \$96.0 million. The \$6.6 million decrease in unassigned fund balance can be attributed to two main factors, including an increase in non-spendable prepaid items and a change in pay cycles for instructional employees. The increase in non-spendable prepaid items was due to the payment of approximately \$3 million for a retention stipend to all eligible employees returning to the District for the 2025-26 school year. The stipend was budgeted for the 2025-26 fiscal year but paid in August 2025 as an incentive for returning employees. This prepaid amount represents two-thirds of the full stipend and will be earned by employees during the subsequent year. The remaining \$3.6 million decline in unassigned fund balance can be attributed to two expenditure categories. Roughly \$1.5 million relates to the remaining one-third of the aforementioned retention stipend, while another \$3 million relates to costs associated with a change in pay cycles for instructional employees. To better align employment contract payments with the delivery of instructional and related services, the District moved up payments on 2025-26 school year contracts by one month. Contracts for the 2024-25 school year were paid off when the instructional year ended, and subsequent-year payments began soon after staff returned for the 2025-26 instructional year. This resulted in expenditures being recorded earlier than budgeted. This is a one-time occurrence. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance

LAMAR CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

represents 18 percent of total general fund expenditures, and total fund balance represents 20 percent of that same amount. The unassigned fund balance of \$85.0 million falls well within the District's fund balance policy, which suggests that the amount fall within the range of 12.5 to 25 percent of expenditures.

Operating results of the general fund reflect a drawdown of fund balance of \$4.49 million. Expenditures of \$479.4 million exceeded revenues of \$475.0 million due to several notable circumstances. Total expenditures increased by \$41.3 million over the prior year due to growth in student enrollment, new campuses, personnel costs to cover leaves and vacancies, and previously-mentioned payments to eligible employees. Total revenues, net of refunds to taxpayers, increased by \$31.7 million over the prior year. State revenues increased by \$11.2 million while property tax revenues increased by \$21.1 million. The increase in state aid was due to many factors, such as increased enrollment and attendance, higher participation in special programs, new and increased state allotments, and increases in amounts reported in relation to the District's participation in the State of Texas retirement system. The increase in property tax revenue, despite increased refunds, was due to significant increases in taxable property values resulting from growth surrounding the District.

The debt service fund ended the year with a total fund balance of \$59.4 million, all of which is restricted for the payment of debt service. During the current year, the fund balance decreased by \$10.1 million, reflecting several offsetting factors. Although revenues increased due to significant growth in taxable property values and a stable Interest and Sinking tax rate, these gains were more than offset by the level of debt service required for the year. Total debt service payments in the amount of \$173.8 million exceeded total revenues by \$11.3 million. Refunding bonds were issued in the amount of \$195.4 million with bond premiums of \$17.3 million. The refunding bonds were offset by payments to bond refunding escrow agent in the amount of \$211.4 million.

The capital projects fund has a total fund balance of \$1.1 billion, all of which is restricted for authorized construction and technology projects/enhancements. During the current fiscal year, the fund balance decreased by \$405.5 million, primarily due to increased expenditures associated with ongoing construction projects. Interest earnings generated on construction funds are used by the District to maintain a low Interest and Sinking tax rate. Interest earned during the fiscal year totaled \$62.5 million, representing a decrease of \$15.6 million from the prior year, attributable to less funds invested.

General Fund Budgetary Highlights

Operating results for the 2024-25 fiscal year reflect a decrease of \$4.49 million to the total fund balance. Revenues of \$475.0 million were less than expenditures of \$479.4 million. As discussed earlier, this decrease in fund balance is primarily attributable to increasing costs, pay cycle alignment, and retention stipends paid earlier than budgeted as part of an employee incentive program.

Differences between the original budget and the final amended budget of the general fund can be summarized as follows:

The revenue budget was amended to record donations and grants received by the District from outside parties of \$0.8 million and to record insurance recovery of approximately \$0.1 million.

Revenues recorded by the District exceeded budget by approximately \$166,000 due to several factors. Investment and other local revenues exceeded budget by about \$0.8 million due to rising interest rates, overall economic conditions, and conservative budgeting of revenues. Although tax collections were roughly \$5.6 million lower than anticipated, state allocations helped to offset those challenges. Tax collections were lower than expected due to an unusually high volume of refunds to taxpayers. Refunds were made as a result of downward adjustments to tax bills, including prior years, due to recent legislation by the State of Texas. Homestead exemptions have increased several times over the past decade and those higher exemptions are now being processed and working through the levy system. Tax refunds for current and prior years are being processed and reducing overall tax collections reported. The impact is significant enough across Texas that additional state funding allocations (hold harmless allocations) are being distributed to school districts through the funding formula. Reductions in the District's tax collections are being offset largely by higher state aid. State aid settlements relating to prior years accounted for \$0.960 million in additional revenues, while current-year state funding exceeded budgeted levels by about \$1.45 million in total. The increased state funding is due to student enrollment growth and attendance,

LAMAR CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

participation in more highly weighted instructional programs, and additional state funding related to property tax hold harmless provisions, as well as revenues recorded for the District's share of the State of Texas' contribution to employees' retirement accounts (which exceeded budget by over \$2.6 million). Federal Medicaid claim reimbursements were \$0.35 million lower than anticipated; however, indirect federal cost reimbursements exceeded budget by roughly \$0.50 million. In summary, combined revenues for the year ended on target as budgeted.

Significant amendments to the expenditure side of the budget were made during the year, totaling \$32.3 million:

Current year donations and grants to the District	\$825,664
Insurance recovery	\$123,071
Carryforward to 2024-25 of 2023-24 encumbrances and other carryforward items, such as prior year donation and funding for starting up new classrooms for growth	\$5,188,231
Year-end amendments for anticipated effect of accruals and other closing entries (for compliance purposes only)	\$26,180,500

Due to effective procurement practices and the concentrated efforts made by budget managers across the District, wise decisions regarding funds were made and directed toward many worthwhile initiatives. The Budgeted savings in many areas helped to expand resources to provide competitive and compliant salary levels, and much-needed personnel units, provide unique professional development opportunities, expand capital and maintenance projects to manage growth, and to maintain the stability of the District's self-funded health benefits plan. A strong commitment to expending funds in ways that directly impact instruction is obvious in that roughly 63% of all expenditures were in the categories of instruction, instructional leadership, curriculum and instructional staff development.

Capital Assets and Long-term Debt

Capital Assets

The District's investment in capital assets for its governmental type activities as of August 31, 2025 amounts to \$2.1 billion (net of accumulated depreciation/amortization). This investment in capital assets includes land, buildings and improvements, furniture and equipment, construction in progress, and right-to-use assets. The total increase in the District's investment in capital assets for the current fiscal year was approximately \$388.4 million.

LAMAR CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

A summary of changes in capital assets is presented below (in 000's):

	Balance at August 31, 2024	Additions	Retirements and Transfers	Balance at August 31, 2025
Land	\$ 146,769	\$ 10,353	\$ -	\$ 157,122
Construction in progress	261,483	346,794	(448,144)	160,133
Buildings and improvements	1,666,832	46,946	448,144	2,161,922
Furniture and equipment	144,090	59,156	-	203,246
Right to use lease assets	1,810	-	-	1,810
SBITA assets	2,874	-	(755)	2,119
	<u>2,223,858</u>	<u>463,249</u>	<u>(755)</u>	<u>2,686,352</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	(427,966)	(52,013)	-	(479,979)
Furniture and equipment	(74,760)	(21,811)	-	(96,571)
Right to use lease assets	(168)	(363)	-	(531)
SBITA assets	(1,009)	(705)	755	(959)
	<u>(503,903)</u>	<u>(74,892)</u>	<u>755</u>	<u>(578,040)</u>
Governmental Capital Assets	<u>\$ 1,719,955</u>	<u>\$ 388,357</u>	<u>\$ -</u>	<u>\$ 2,108,312</u>

Additional information on the District's capital assets can be found in Note 8 of the Notes to the Financial Statements.

Long-term Liabilities

At the end of the current fiscal year, the District had \$3.3 billion in bonded debt outstanding, a decrease of \$63.9 million from the previous year. The District's bonds are sold with an "AAA" rating and are guaranteed through the Texas Permanent School Fund Guarantee Program or by a municipal bond insurance policy. The underlying rating of the bonds from Standard and Poor's is "AA-" and from Moody's Investors Service is "Aa2" for general obligation debt.

Changes to long-term debt (in 000's) for the year ended August 31, 2025, are as follows:

	Balance at August 31, 2024	Additions	Retirements	Balance at August 31, 2025
General obligation bonds	\$ 3,112,195	\$ 195,385	\$ (248,985)	\$ 3,058,595
Plus amounts for issuance premiums	261,492	17,262	(27,595)	251,159
Arbitrage payable	1,001	-	(1,001)	-
Lease liability	1,641	-	(342)	1,299
SBITA liability	1,595	-	(564)	1,031
Accrued compensated absences	285	-	(122)	163
	<u>\$ 3,378,209</u>	<u>\$ 212,647</u>	<u>\$ (278,609)</u>	<u>\$ 3,312,247</u>

Additional information on the District's long-term liabilities can be found in Note 9 of the Notes to the Financial Statements.

Economic Factors and Next Year's Budgets and Tax Rates

The District is currently operating under its 2025-26 budget adopted by the Board of Trustees in accordance with state guidelines. Tax rates for the 2025-26 fiscal year are \$0.6669 for maintenance and operations and \$0.4800 for debt service which is the same as in fiscal year 2024-25. For 2026, the District's fiscal year will end on June 30, 2026. As such, activity for ten-months will be presented.

LAMAR CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The District's intent is to utilize all resources responsibly and limit any increase to taxpayers.

The following schedule outlines a comparison of the 2024-25 final amended budget to the 2025-26 original budget for both estimated revenues and expenditures (in 000's):

	2024-25	2025-26	Change
	Budget	Budget	
Revenues			
Local	\$ 208,957	\$ 212,802	\$ 3,845
State	264,171	321,462	57,291
Federal	1,675	1,575	(100)
Total Revenues	474,803	535,839	61,036
Expenditures			
Instruction	303,516	341,059	37,543
Instructional resources and media services	3,119	2,359	(760)
Curriculum and staff development	3,951	4,558	607
Instructional leadership	8,249	8,379	130
School leadership	31,004	28,519	(2,485)
Guidance, counseling, and evaluation services	17,828	19,058	1,230
Social work services	1,276	1,074	(202)
Health services	5,821	5,692	(129)
Student transportation	22,475	20,801	(1,674)
Food service	138	525	387
Extracurricular activities	12,994	11,226	(1,768)
General administration	13,655	12,071	(1,584)
Facilities, maintenance and operations	50,997	51,758	761
Security and monitoring services	11,210	12,134	924
Data processing services	11,389	10,675	(714)
Community services	573	374	(199)
Principal on long-term debt	2,000	-	(2,000)
Facilities acquisition and construction	1,954	202	(1,752)
Other intergovernmental charges	3,460	4,500	1,040
Total Expenditures	505,609	534,964	29,355
Increase (Decrease) in Fund Balance	\$ (30,806)	\$ 875	\$ 31,681

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director of Finance, Lamar Consolidated Independent School District, 3911 Avenue I Rosenberg, Texas, 77471.



BASIC FINANCIAL STATEMENTS



LAMAR CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
August 31, 2025

Exhibit A-1

<u>Data Control Codes</u>	<u>Governmental Activities</u>
Assets	
1110 Cash and temporary investments	\$ 1,348,608,556
1225 Property taxes receivables, net	9,265,894
1240 Due from other governments	17,839,607
1290 Other receivables, net	980,406
1300 Inventories	950,588
1410 Prepaid items	6,678,605
Capital assets not subject to depreciation/amortization:	
1510 Land	157,122,223
1580 Construction in progress	160,133,317
Capital assets net of depreciation/amortization:	
1520 Buildings and improvements, net	1,681,943,234
1530 Furniture and equipment, net	106,675,148
1553 Right to use SBITA assets, net	1,159,742
1559 Right to use lease assets, net	1,278,243
1000 Total Assets	<u>3,492,635,563</u>
Deferred Outflows of Resources	
Deferred loss on refunding	238,612
Deferred outflows - pension	40,985,488
Deferred outflows - OPEB	47,667,116
1700 Total Deferred Outflows of Resources	<u>88,891,216</u>
Liabilities	
2110 Accounts payable	78,306,374
2140 Interest payable	5,884,029
2160 Accrued wages payable	13,838,135
2180 Due to other governments	48,985
2200 Accrued expenses	4,433,587
2300 Unearned revenue	224,541
Noncurrent liabilities:	
2501 Due within one year	35,912,074
2502 Due in more than one year	3,276,334,720
2540 Net pension liability	135,922,890
2545 Net OPEB liability	83,074,660
2000 Total Liabilities	<u>3,633,979,995</u>
Deferred Inflows of Resources	
Deferred gain on refunding	29,311,713
Deferred inflows - pension	2,222,054
Deferred inflows - OPEB	68,797,695
2600 Total Deferred Inflows of Resources	<u>100,331,462</u>
Net Position	
3200 Net investment in capital assets	(129,511,211)
Restricted for:	
3820 Food service	9,460,337
3820 Federal and state programs	1,105,344
3850 Debt service	56,609,197
3900 Unrestricted	(90,448,345)
3000 Total Net Position	<u>\$ (152,784,678)</u>

LAMAR CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2025

Exhibit B-1
Page 1 of 2

Data Control Codes	Functions/Programs	Expenses	Program Revenue	
			Charges for Services	Operating Grants and Contributions
Governmental Activities:				
11	Instruction	\$ 355,904,745	\$ 424,536	\$ 20,774,636
12	Instructional resources and media services	3,976,298	-	94,237
13	Curriculum and staff development	4,217,178	-	810,516
21	Instructional leadership	8,093,906	-	782,259
23	School leadership	30,622,251	-	688,704
31	Guidance, counseling, and evaluation services	18,935,606	-	3,452,641
32	Social work services	1,190,186	-	311,927
33	Health services	5,639,112	-	1,474,065
34	Student transportation	24,167,372	-	331,171
35	Food service	29,785,244	6,098,533	21,853,697
36	Extracurricular activities	20,799,523	6,141,675	380,240
41	General administration	12,868,324	-	92,847
51	Facilities, maintenance and operations	63,363,718	700,747	277,149
52	Security and monitoring services	1,113,161	-	1,731,810
53	Data processing services	13,114,422	-	29,021
61	Community services	499,363	-	188,640
72	Interest on long-term debt	125,504,524	-	-
99	Other intergovernmental charges	3,360,733	-	-
TG	Total Governmental Activities	\$ 723,155,666	\$ 13,365,491	\$ 53,273,560

LAMAR CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2025

Exhibit B-1
Page 2 of 2

		Net (Expense) Revenue and Changes in Net Position
		Primary Government
Data Control Codes	Functions/Programs	Governmental Activities
	Governmental Activities:	
11	Instruction	\$ (334,705,573)
12	Instructional resources and media services	(3,882,061)
13	Curriculum and staff development	(3,406,662)
21	Instructional leadership	(7,311,647)
23	School leadership	(29,933,547)
31	Guidance, counseling, and evaluation services	(15,482,965)
32	Social work services	(878,259)
33	Health services	(4,165,047)
34	Student transportation	(23,836,201)
35	Food service	(1,833,014)
36	Extracurricular activities	(14,277,608)
41	General administration	(12,775,477)
51	Facilities, maintenance and operations	(62,385,822)
52	Security and monitoring services	618,649
53	Data processing services	(13,085,401)
61	Community services	(310,723)
72	Interest on long-term debt	(125,504,524)
99	Other intergovernmental charges	(3,360,733)
TG	Total Governmental Activities	(656,516,615)
	General Revenues:	
	Taxes:	
MT	Property taxes, levied for general purposes	194,760,444
DT	Property taxes, levied for debt service	140,953,718
SF	State-aid formula grants	260,316,380
IE	Investment earnings	74,567,663
MI	Miscellaneous	1,155,872
TR	Total General Revenues	671,754,077
CN	Change in net position	15,237,462
NB	Net Position - Beginning	(168,022,140)
NE	Net Position - Ending	\$ (152,784,678)

LAMAR CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
August 31, 2025

Exhibit C-1
Page 1 of 2

Data Control Codes		General Fund	Debt Service Fund	Capital Projects Fund
Assets				
1110	Cash and temporary investments	\$ 93,316,475	\$ 59,402,103	\$ 1,168,055,587
	Receivables:			
1220	Property taxes - delinquent	8,751,910	4,485,084	-
1230	Allowance for uncollectible taxes (credit)	(2,598,044)	(1,373,056)	-
1240	Receivables from other governments	8,051,676	-	-
1260	Due from other funds	9,158,051	55,485	1,507
1290	Other receivables	454,002	-	221,538
1300	Inventories, at cost	396,730	-	-
1410	Prepaid items	6,678,605	-	-
1000	Total Assets	<u>\$ 124,209,405</u>	<u>\$ 62,569,616</u>	<u>\$ 1,168,278,632</u>
Liabilities, Deferred Inflows of Resources, and Fund Balance				
Liabilities:				
2110	Accounts payable	\$ 8,744,527	\$ 56,945	\$ 64,834,587
2160	Accrued wages payable	12,950,536	-	8,311
2170	Due to other funds	269,224	-	102,096
2180	Due to other governments	27,015	19,445	-
2300	Unearned revenues	89,192	-	-
2000	Total Liabilities	<u>22,080,494</u>	<u>76,390</u>	<u>64,944,994</u>
Deferred Inflows of Resources				
	Unavailable revenue - property taxes	6,153,866	3,112,028	-
2600	Total Deferred Inflows of Resources	<u>6,153,866</u>	<u>3,112,028</u>	<u>-</u>
Fund Balance:				
Non-spendable:				
3410	Inventories	396,730	-	-
3430	Prepaid items	6,678,605	-	-
Restricted:				
3450	Grant funds	-	-	-
3470	Capital acquisition program	-	-	1,103,333,638
3480	Debt service	-	59,381,198	-
Committed:				
3545	Other	500,000	-	-
Assigned:				
3590	Other	3,356,076	-	-
3600	Unassigned	85,043,634	-	-
3000	Total Fund Balance	<u>95,975,045</u>	<u>59,381,198</u>	<u>1,103,333,638</u>
4000	Total Liabilities Deferred Inflows of Resources, and Fund Balance	<u>\$ 124,209,405</u>	<u>\$ 62,569,616</u>	<u>\$ 1,168,278,632</u>

LAMAR CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
August 31, 2025

Exhibit C-1
Page 2 of 2

<u>Data Control Codes</u>		<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets			
1110	Cash and temporary investments	\$ 12,473,548	\$ 1,333,247,713
	Receivables:		
1220	Property taxes - delinquent	-	13,236,994
1230	Allowance for uncollectible taxes (credit)	-	(3,971,100)
1240	Receivables from other governments	9,787,931	17,839,607
1260	Due from other funds	710,798	9,925,841
1290	Other receivables	145,090	820,630
1300	Inventories, at cost	553,858	950,588
1410	Prepaid items	-	6,678,605
1000	Total Assets	<u>\$ 23,671,225</u>	<u>\$ 1,378,728,878</u>
Liabilities, Deferred Inflows of Resources, and Fund Balance			
Liabilities:			
2110	Accounts payable	\$ 3,888,478	\$ 77,524,537
2160	Accrued wages payable	879,288	13,838,135
2170	Due to other funds	5,052,910	5,424,230
2180	Due to other governments	2,525	48,985
2300	Unearned revenues	135,349	224,541
2000	Total Liabilities	<u>9,958,550</u>	<u>97,060,428</u>
Deferred Inflows of Resources			
	Unavailable revenue - property taxes	-	9,265,894
2600	Total Deferred Inflows of Resources	<u>-</u>	<u>9,265,894</u>
Fund Balance:			
Non-spendable:			
3410	Inventories	-	396,730
3430	Prepaid items	-	6,678,605
Restricted:			
3450	Grant funds	10,565,681	10,565,681
3470	Capital acquisition program	-	1,103,333,638
3480	Debt service	-	59,381,198
Committed:			
3545	Other	3,146,994	3,646,994
Assigned:			
3590	Other	-	3,356,076
3600	Unassigned	-	85,043,634
3000	Total Fund Balance	<u>13,712,675</u>	<u>1,272,402,556</u>
4000	Total Liabilities Deferred Inflows of Resources, and Fund Balance	<u>\$ 23,671,225</u>	<u>\$ 1,378,728,878</u>



LAMAR CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF BALANCE SHEET FOR GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION
August 31, 2025

Exhibit C-1R

**Data
Control
Codes**

Total Fund Balance, Governmental Funds \$ 1,272,402,556

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

1	Capital assets at historical cost, net of accumulated depreciation/amortization	2,108,311,907
2	Property taxes receivable have been levied and are due this year, but are not available soon enough to pay for the current period's expenditures, these property taxes and related penalty and interest amounts (net of allowance for uncollectible accounts).	9,265,894
3	Deferred gain (loss) on refunding	(29,073,101)
4	Deferred outflows and inflows relating to pension activities	38,763,434
5	Deferred outflows and inflows relating to OPEB activities	(21,130,579)

Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

6	General obligation bonds	(3,058,595,000)
7	Premiums on issuance	(251,159,147)
8	Lease liability	(1,298,749)
9	SBITA liability	(1,030,759)
10	Accrued compensated absences	(163,139)
11	Accrued interest payable	(5,884,029)
12	Net pension liability	(135,922,890)
13	Net OPEB liability	(83,074,660)
14	Addition of Internal Service fund net position	<u>5,803,584</u>
29	Total Net Position - Governmental Activities	<u>\$ (152,784,678)</u>

LAMAR CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended August 31, 2025

Exhibit C-2
Page 1 of 2

Data Control Codes		General Fund	Debt Service Fund	Capital Projects Fund
Revenues				
5700	Local, intermediate, and out-of-state	\$ 204,137,759	\$ 144,727,040	\$ 62,480,400
5800	State program revenues	269,076,741	17,796,976	-
5900	Federal program revenues	1,754,261	-	161,082
5020	Total Revenues	<u>474,968,761</u>	<u>162,524,016</u>	<u>62,641,482</u>
Expenditures				
Current:				
0011	Instruction	294,407,807	-	21,333,766
0012	Instruction resources and media services	2,588,092	-	1,478,987
0013	Curriculum and instructional staff development	3,514,785	-	22,311
0021	Instructional leadership	7,793,227	-	16,311
0023	School leadership	29,249,528	-	1,302,721
0031	Guidance, counseling and evaluation services	16,740,432	-	204,005
0032	Social work services	982,039	-	1,912
0033	Health services	5,281,254	-	156,936
0034	Student transportation	20,833,751	-	11,884,181
0035	Food services	87,043	-	958,282
0036	Extracurricular activities	11,955,898	-	1,889,225
0041	General administration	12,211,635	-	604,102
0051	Facilities maintenance and operations	47,807,974	-	2,509,773
0052	Security and monitoring services	10,268,713	-	20,035,914
0053	Data processing services	10,199,570	-	11,916,327
0061	Community services	336,992	-	-
Debt Service:				
0071	Principal on long-term debt	907,079	37,400,000	-
0072	Interest on long-term debt	86,118	131,979,258	-
0073	Bond issuance costs and fees	-	4,451,588	1,000,500
Capital Outlay:				
0081	Capital outlay	823,716	-	392,782,750
Intergovernmental:				
0099	Other intergovernmental charges	3,360,733	-	-
6030	Total Expenditures	<u>479,436,386</u>	<u>173,830,846</u>	<u>468,098,003</u>
1100	Excess (deficiency) of revenues over expenditures	<u>(4,467,625)</u>	<u>(11,306,830)</u>	<u>(405,456,521)</u>
Other Financing Sources (Uses)				
7901	Refunding bonds issued	-	195,385,000	-
7915	Transfers in	-	-	-
7916	Premium or discount on issuance of bonds	-	17,262,001	-
8911	Transfers out	(19,633)	-	-
8949	Payment to Bond Refunding Escrow Agent	-	(211,400,627)	-
7080	Total Other Financing Sources (Uses)	<u>(19,633)</u>	<u>1,246,374</u>	<u>-</u>
1200	Net change in fund balances	(4,487,258)	(10,060,456)	(405,456,521)
0100	Fund Balance - September 1 (Beginning)	<u>100,462,303</u>	<u>69,441,654</u>	<u>1,508,790,159</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 95,975,045</u>	<u>\$ 59,381,198</u>	<u>\$ 1,103,333,638</u>

LAMAR CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended August 31, 2025

Exhibit C-2
Page 2 of 2

Data Control Codes		Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
5700	Local, intermediate, and out-of-state	\$ 12,065,293	\$ 423,410,492
5800	State program revenues	6,234,804	293,108,521
5900	Federal program revenues	37,389,494	39,304,837
5020	Total Revenues	55,689,591	755,823,850
Expenditures			
Current:			
0011	Instruction	14,260,654	330,002,227
0012	Instruction resources and media services	57,238	4,124,317
0013	Curriculum and instructional staff development	771,291	4,308,387
0021	Instructional leadership	621,569	8,431,107
0023	School leadership	191,774	30,744,023
0031	Guidance, counseling and evaluation services	3,032,876	19,977,313
0032	Social work services	282,375	1,266,326
0033	Health services	462,656	5,900,846
0034	Student transportation	245,888	32,963,820
0035	Food services	30,704,210	31,749,535
0036	Extracurricular activities	5,247,524	19,092,647
0041	General administration	90,084	12,905,821
0051	Facilities maintenance and operations	-	50,317,747
0052	Security and monitoring services	1,997,883	32,302,510
0053	Data processing services	7,978	22,123,875
0061	Community services	181,495	518,487
Debt Service:			
0071	Principal on long-term debt	-	38,307,079
0072	Interest on long-term debt	-	132,065,376
0073	Bond issuance costs and fees	-	5,452,088
Capital Outlay:			
0081	Capital outlay	-	393,606,466
Intergovernmental:			
0099	Other intergovernmental charges	-	3,360,733
6030	Total Expenditures	58,155,495	1,179,520,730
1100	Excess (deficiency) of revenues over expenditures	(2,465,904)	(423,696,880)
Other Financing Sources (Uses)			
7901	Refunding bonds issued	-	195,385,000
7915	Transfers in	19,633	19,633
7916	Premium or discount on issuance of bonds	-	17,262,001
8911	Transfers out	-	(19,633)
8949	Payment to Bond Refunding Escrow Agent	-	(211,400,627)
7080	Total Other Financing Sources (Uses)	19,633	1,246,374
1200	Net change in fund balances	(2,446,271)	(422,450,506)
0100	Fund Balance - September 1 (Beginning)	16,158,946	1,694,853,062
3000	Fund Balance - August 31 (Ending)	\$ 13,712,675	\$ 1,272,402,556

LAMAR CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2025

Exhibit C-2R

<u>Data Control Codes</u>		
	Net Change in Fund Balances - Total Governmental Funds (from C-2)	\$ (422,450,506)
	Amounts reported for governmental activities in the statement of activities (B-1) are different because:	
1	Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay of (\$463,249,123) exceeded depreciation/amortization of (\$74,892,710).	388,356,413
2	Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	774,804
3	Repayment of bond principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net position.	37,400,000
4	Premium from the issuance of long-term debt is reported as an other financing source in the governmental funds. In the government-wide financial statement, proceeds are treated as an increase in long-term liabilities.	(17,262,001)
5	Proceeds from issuance of long-term debt is reported as an other financing source in the governmental funds. In the government-wide financial statements, proceeds are treated as an increase in long-term liabilities.	(195,385,000)
6	Payment to escrow agent for payment of refunded bonds	211,585,000
7	Repayment of lease and SBITA is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net position.	907,079
8	Decrease in arbitrage payable but not recorded in the governmental funds	1,000,500
9	Amortization of bond premium	10,750,564
10	Increase in interest payable not recognized in fund statements	(899,014)
11	Decrease in long-term portion of accrued compensated absences	121,710
12	Amortization of deferred gain / loss on refunding	976,517
13	Pension and OPEB expense for the plan's measurement year	1,800,223
14	Internal service funds are used by management to charge the costs of certain activities, such as health insurance and workers' compensation to individual funds. The net revenue (expense) of the internal service funds is reported with governmental funds.	(2,438,827)
	Change in Net Position of Governmental Activities	<u>\$ 15,237,462</u>

LAMAR CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
August 31, 2025

Exhibit D-1

	Governmental Activities - Internal Service Funds
Assets	
Current Assets:	
Cash and temporary investments	\$ 15,360,843
Other receivables	159,776
Total Assets	<u>15,520,619</u>
Liabilities	
Current Liabilities:	
Accounts payable	781,837
Due to other funds	4,501,611
Accrued expenses	4,433,587
Total Liabilities	<u>9,717,035</u>
Net Position	
Unrestricted net position	5,803,584
Total Net Position	<u>\$ 5,803,584</u>

LAMAR CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended August 31, 2025

Exhibit D-2

	Governmental Activities - Internal Service Funds
Operating Revenues	
Charges for services	\$ 52,149,469
Total Operating Revenues	<u>52,149,469</u>
Operating Expenses	
Purchased and contracted services	4,826,480
Claims expense and other operating expenses	50,389,607
Total Operating Expenses	<u>55,216,087</u>
Operating Income	(3,066,618)
Non-Operating Revenues	
Investment earnings	627,791
Total Non-Operating Revenues	<u>627,791</u>
Change in Net Position	(2,438,827)
Net Position	
Net Position - September 1 (Beginning)	<u>8,242,411</u>
Net Position - August 31 (Ending)	<u>\$ 5,803,584</u>

LAMAR CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

Exhibit D-3

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For the Year Ended August 31, 2025

	Internal Service Funds
	<u> </u>
Cash Flows from Operating Activities:	
Cash Receipts from Charges for Services	\$ 52,164,918
Cash Payments for Claims	(45,704,119)
Cash Payments for Services	<u>(4,826,480)</u>
Net Cash Provided by (Used for) Operating Activities	<u>1,634,319</u>
Cash Flows from Investing Activities:	
Interest on investments	<u>627,791</u>
Net Cash Provided by (Used for) Investing Activities	<u>627,791</u>
Net Increase in Cash and Cash Equivalents	2,262,110
Cash and Cash Equivalents at Beginning of Year	<u>13,098,733</u>
Cash and Cash Equivalents at End of Year	<u>\$ 15,360,843</u>
Reconciliation to Balance Sheet	
Cash and Cash Equivalents Per Cash Flow	<u>\$ 15,360,843</u>
Cash and Cash Equivalents per Balance Sheet	<u>\$ 15,360,843</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$ (3,066,618)
Change in Assets and Liabilities:	
Decrease (increase) in Receivables	(22,475)
Decrease (increase) in Interfund Receivables	36,417
Increase (decrease) in Accounts Payable	(594,020)
Increase (decrease) in Interfund Payables	4,501,611
Increase (decrease) in Accrued Expenses	<u>779,404</u>
Net Cash Provided by (Used for) Operating Activities	<u>\$ 1,634,319</u>

LAMAR CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
August 31, 2025

Exhibit E-1

	810	865
	Private-Purpose Trust Fund	Custodial Fund - Student Activities
Assets		
Cash and temporary investments	\$ 34,621	\$ 666,158
Total Assets	<u>\$ 34,621</u>	<u>\$ 666,158</u>
Liabilities		
Due to others	\$ -	\$ 27,950
Total Liabilities	<u>\$ -</u>	<u>\$ 27,950</u>
Net Position		
Assets held in trust - scholarships	\$ 34,621	\$ -
Restricted for student activities	-	638,208
Total Net Position	<u>\$ 34,621</u>	<u>\$ 638,208</u>

LAMAR CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended August 31, 2025

Exhibit E-2

	<u>Private-Purpose Trust Fund</u>	<u>Custodial Fund - Student Activities</u>
Additions		
Gifts and contributions	\$ -	\$ 1,221,948
Total Additions	<u>-</u>	<u>1,221,948</u>
Deductions		
Other	-	1,115,119
Total Deductions	<u>-</u>	<u>1,115,119</u>
Change in net position	-	106,829
Net Position Beginning of Year	<u>34,621</u>	<u>531,379</u>
Net Position End of Year	<u>\$ 34,621</u>	<u>\$ 638,208</u>



Note 1 - Summary of Significant Accounting Policies

The Lamar Consolidated Independent School District (the "District") is an independent public educational agency operating under applicable laws and regulations of the State of Texas. The District is autonomously governed by a seven-member Board of Trustees elected by the District's residents.

The District prepares its basic financial statements in conformity with Generally Accepted Accounting Principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in *Statement of Auditing Standards No. 69* of the American Institute of Certified Public Accountants. Additionally, the District complies with the requirements of the appropriate version of the Texas Education Agency (TEA) *Financial Accountability System Resource Guide* (FASRG) and the requirements of contracts and grants of agencies from which it receives funds.

A. Reporting Entity

The District is considered an independent entity for financial reporting purposes and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the District's financial reporting entity. Based on these considerations, the District's basic financial statements do not include any other entities. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the District's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the District is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the District's financial reporting entity status is that of a primary government are; that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable; and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. The governmental activities are supported by tax revenues and intergovernmental revenues. The District has no business-type activities that rely, to a significant extent, on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues. Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Note 1 - Summary of Significant Accounting Policies (continued)

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues subject to accrual include state cost reimbursements and amounts due from the federal programs for indirect cost reimbursements.

Property tax levies collected after the fiscal year-end, which would be available to finance current operations, are immaterial and remain deferred. Revenues from federal grants are recognized in the Special Revenue Funds when related expenditures are incurred. Any excess of receipts or expenditures at fiscal year-end is recorded as unearned revenue or due from federal agencies, respectively.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt, including lease and subscription-based technology arrangements (SBITA) liabilities, as well as expenditures related to compensated absences, claims and judgments, postemployment benefits and environmental obligations are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the District the right-to-use assets and SBITA assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases and SBITAs are reported as other financing sources.

D. Implementation of New Accounting Standards

GASB issued Statement No. 101, *Compensated Absences*, was issued in June 2022. The primary objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The requirements of this statement were implemented in 2025 and the impact is reflected in the financial statements. See Note 1 M Compensated Absences.

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

Note 1 - Summary of Significant Accounting Policies (continued)

E. Fund Accounting

Governmental Funds

The District reports the following major governmental funds:

1. The general fund is the government's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund. Major revenue sources include local property taxes, state funding under the Foundation School Program and interest earnings. Expenditures include all costs associated with the daily operations of the District except for specific programs funded by the federal or state government, food service, debt service, and capital projects.
2. The debt service fund is used to account for the payment of interest and principal on all bonds of the District. The primary source of revenue for debt service is local property taxes.
3. The capital projects fund is used to account for the expenditures of resources accumulated from the sale of bonds and related interest earnings for the acquisition and construction of school facilities.

Non-major governmental funds are comprised of the following fund types:

The special revenue funds are used to account for financial resources restricted to or designated for specific purposes by a grantor. Specifically, this type of fund is used to account for the District's Child Nutrition Services, including local and federal revenue sources; for state and federally financed programs (grants) where unused balances are returned to the grantor at the close of specified project periods; and other revenue specific programs. Project accounting is employed for the grants and other revenue specific programs to maintain integrity for the various sources of funds. Resources accounted for in these funds are awarded to the District for the purpose of accomplishing specific educational tasks as defined by grantors in contracts or other agreements.

Additionally, the District reports the following fund types:

Proprietary Fund Type

Internal Service Funds - The Health and Workers' Compensation Insurance Funds are used to account for the operations of the District's employee health insurance plan and workers' compensation plan, which are supported principally by employer and employee contributions. Expenses include plan benefit payments on behalf of employees and charges incurred in administering the plans. Estimated amounts due for claims incurred but not reported at year end are included as fund liabilities.

Fiduciary Fund Types

The *private-purpose trust fund* is used to account for donations for scholarship funds that are received by the District that are to be awarded to current and former students for post-secondary education purposes. The *custodial fund*, accounts for resources held in a custodial capacity by the District and consists of funds that are the property of student groups.

Note 1 - Summary of Significant Accounting Policies (continued)

F. Temporary Investments

Temporary investments consisting of investments in U.S. government agency securities, deposits in five managed local government investment pools (TexPool, Lone Star, MBIA – Texas Class, TexStar, and Texas Range). The investments are carried at fair value based on quoted market prices at year-end, in accordance with U.S. generally accepted accounting principles. All of the District's temporary investments have a maturity of one year or less at the time of purchase.

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

G. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments for the District are reported at fair value.

H. Short-term Interfund Receivables/Payables

During the course of operations, transactions occur between individual funds for specified purposes. These receivables and payables are classified as "due from other funds" or "due to other funds" on the combined balance sheet.

I. Inventories and Prepaid Items

The District records inventory and prepaid items as expenses when consumed on the government-wide financial statements and as expenditures when purchased on the fund financial statements. Supplies are recorded as expenditures as purchased. If any supplies are on hand at the end of the year, their total cost is recorded as inventory and the fund balance is non-spendable for the same amount. Food service commodity inventory is recorded at fair market value on the date received. Commodity inventory items are recorded as expenditures when distributed to user locations. Inventories are valued at the lower-of cost method on average cost method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Material prepaid items are accounted for using the consumption method.

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

J. Capital Assets

Capital assets, which include land, buildings and improvements, furniture and equipment, right to use lease assets, and SBITA assets are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. The threshold to recognize a group of assets that individually are under \$5,000 but in the aggregate exceed \$20,000 will be capitalized.

Note 1 - Summary of Significant Accounting Policies (continued)

J. Capital Assets (continued)

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their acquisition value on the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

When assets are retired or otherwise disposed of, the related costs or other recorded amounts are removed.

Buildings, furniture and equipment of the District is depreciated/amortized using the straight-line method over the following estimated useful lives:

Category of Asset	Estimated Useful Lives
Buildings and improvements	40 years
Furniture, fixtures & equipment	5-10 years
Information systems (computer equipment)	5-10 years
Automobiles	7 years
Buses	10 years
Light general purpose trucks	7 years
Right to use lease assets	lease term
SBITA assets	subscription term

K. Unearned Revenues

Unearned revenue at year-end represents funds received in advance for which expenditures have not been incurred for grants.

L. Deferred Outflows/Inflows of Resources

Deferred outflows and inflows of resources are reported in the 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, this deferred charge on refunding 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.
- 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 1) differences between projected and actual earnings on pension plan investments; 2) changes in actuarial assumptions; 3) differences between expected and actual actuarial experiences and 4) changes in the District’s proportional share of pension liabilities. 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 deferred outflows resulting from differences between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The remaining 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.

Note 1 - Summary of Significant Accounting Policies (continued)

L. Deferred Outflows/Inflows of Resources (continued)

- Deferred outflows of resources for other post-employment benefits (OPEB) other than pension – 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 1) differences between projected and actual earnings on OPEB plan investments; 2) changes in actuarial assumptions; 3) differences between expected and actual actuarial experiences and 4) changes in the District’s proportional share of OPEB liabilities. 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 deferred outflows resulting from differences between projected and actual earnings on OPEB investments will be amortized over a closed five-year period. The remaining postemployment 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.

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 four 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 bases of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Deferred inflows of resources for refunding - Reported in the government-wide statement of net position, this deferred charge on refunding 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.
- Deferred inflows of resources for pension - reported in the government-wide financial statement of net position, these deferred inflows result primarily from 1) changes in actuarial assumptions; 2) differences between expected and actual actuarial experiences and 3) changes in the District’s proportional share of pension liabilities These pension related deferred inflows 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.
- Deferred inflows of resources for OPEB - Reported in the government wide financial statement of net position, this deferred inflow results primarily from 1) changes in actuarial assumptions; and 2) differences between expected and actual actuarial experiences. These OPEB related deferred inflows 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.

M. Compensated Absences

The District recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not (MLTN) to be used as time off or settled during or upon separation from employment. The District’s assumption for leave usage flow is Last In, First Out (LIFO), meaning that the District assumes employees used the most recent hours accrued as the first to be used for time off. Based on those criteria, leave used as time off does not result in a liability. However, the District maintains a policy allowing employees meeting established requirements to be compensated for unused sick leave at retirement. Amounts accrued by the District’s employees for unused sick leave are reflected in the District’s government wide financial statements. The sick leave is liquidated with expendable available resources from the general fund as they become due and payable. Annual vacation time is granted to certain professional and non-professional employees, however, any unused vacation time lapses at the end of each fiscal year. There are no other compensated absences allowed under the District’s personnel policies.

Note 1 - Summary of Significant Accounting Policies (continued)

N. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. For bonds issued after September 1, 2001, bond premiums and discounts, are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, 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.

Leases

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

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

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

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

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

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

Subscription Based Information Technology Arrangements (SBITAs)

The District is under contract for various SBITAs for the right to use subscription assets (software). The SBITAs are noncancellable, and the District recognizes a SBITA liability and an intangible right to use SBITA asset in the government-wide financial statements. The District recognizes SBITA liabilities with an initial, individual value of \$50,000 or more.

Note 1 - Summary of Significant Accounting Policies (continued)

N. Long-term Obligations (continued)

Subscription Based Information Technology Arrangements (SBITAs) (continued)

At the commencement of the SBITA, the District initially measures the SBITA liability at the present value of payments expected to be made during the SBITA term. Subsequently, the SBITA liability is reduced by the principal portion of SBITA payments made. The SBITA asset is initially measured as the sum of (1) the initial SBITA liability amount, (2) payments made to the SBITA vendor before commencement of the subscription term, and (3) capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. Key estimates and judgments related to SBITA include how the District determines (1) the discount rate it uses to discount the expected SBITA payments to present value, (2) SBITA term, and (3) SBITA payments.

- The District uses the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for SBITAs.
- The SBITA term includes the noncancellable period of the SBITA and payments included in the measurement of the SBITA liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its SBITA and will remeasure the SBITA asset and liability if certain changes occur that are expected to significantly affect the amount of the SBITA liability. SBITA assets are reported with other capital assets and SBITA liabilities are reported with long-term debt on the statement of net position.

O. Fund Equity

The District uses the following classifications of fund balance for governmental funds to describe the relative strength of the spending constraints.

Non-spendable fund balance – amounts that are not spendable form, such as inventory and prepaid items have been properly classified in the Governmental Funds Balance Sheet (Exhibit C-1).

Restricted fund balance – amounts that can be spent only for specific purposes because of local, state or federal laws, or externally imposed conditions by grantors or creditors.

Committed fund balance – amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., the Board of Trustees). To be reported as committed, amounts cannot be used for any other purposes unless the District establishes (and modifies or removes) fund balance commitments by passage of a resolution. A fund balance commitment is further indicated in the budget document as a commitment of the fund. The District has committed a portion of the General Fund's fund balance for food service operations. The District has also committed all of Fund 461 *Campus Activity Funds'* fund balance.

Assigned fund balance – amounts the District intends to use for a specific purpose. Assignment can be expressed by the District's Superintendent or the Chief Financial Officer.

Unassigned fund balance – amounts that are available for any purpose considered unassigned. Positive amounts are reported only in the general fund.

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

Note 1 - Summary of Significant Accounting Policies (continued)

O. Fund Equity (continued)

When expenditure is incurred for purposed for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. The District has adopted a policy that resources will be spending in the following order: restricted, committed, assigned and unassigned fund balance. The District fund balance policy targets an unassigned fund balance of 12.5 to 25 percent of expenditures.

The District uses the following classifications of fund balance for governmental funds to describe the relative strength of the spending constraints.

When the District incurs an expense for which it may use either restricted or unrestricted net position, it uses restricted net position first unless unrestricted net position will have to be returned because they were not used. Net position on the Statement of Net Position includes the following:

Net Investment in Capital Assets - The component of net position that reports the difference between capital assets less both the accumulated depreciation/amortization and the outstanding balance of debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction, or improvement of these capital assets.

Restricted net position - The component of net position calculated by reducing the carrying value of restricted assets by the amount of any related debt outstanding.

Unrestricted - The difference between the assets and liabilities that is not reported Investment in Capital Assets and Restricted Net Position.

P. Proprietary Fund Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. The principal operating revenues of the District's internal service funds are charges to the funds and employees self-funded insurance programs. Operating expenses for the internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Q. Pension

The fiduciary net position for the 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 pension, 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

R. Other Post-Employment Benefits

The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net 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.

Note 1 - Summary of Significant Accounting Policies (continued)

S. Data Control Codes

In accordance with TEA's Financial Accountability System Resource Guide, the District has adopted and installed an accounting system that meets at least 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 TEA's Financial Resource Guide. Mandatory codes are recorded in the order provided in that section.

T. Use of Estimates

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

Note 2 - Deposits (Cash) and Temporary Investments

Deposits (Cash)

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. 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.

Cash includes petty cash on hand in various functional areas for use in routine operations and demand and time deposit accounts held by various banks.

Temporary Investments

The Board of Trustees of the District has adopted a written investment policy (the "Investment Policy") regarding the investment of its funds as defined in the Public Funds Investment Act of 1995 (Chapter 2256, Texas Government Code). The Public Funds Investment Act requires an annual audit of investment practices. Audit procedures in this area, conducted as part of the audit, disclosed that in the area of investment practices, management reports, and establishment of appropriate policies, the District was in substantial compliance with the requirements of the Act. Additionally, the investments and investment practices of the District are in compliance with the Trustees' investment policies.

The District's Investment Policy emphasizes safety of principal and liquidity, addresses investment diversification, yield, and maturity and addresses the quality and capability of investment personnel. The Investment Policy includes a list of authorized investment instruments, a maximum allowable stated maturity of any individual investment and the maximum average dollar weighted maturity allowed for fund groups. In addition, it includes Investment Strategy Statement that specifically addresses each fund's investment options and describes the priorities of suitability of investment type, preservation and safety of principal, liquidity, marketability, diversification and yield.

The District is authorized to invest in the following investment instruments provided that they meet the guidelines of the investment policy:

1. Obligations of the United States or its agencies and instrumentalities; direct obligations of the state of Texas or its agencies; other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States, or its agencies and instrumentalities;
2. Guaranteed investment contracts that have a defined terminated date and are secured by obligations described by Government code 2256.09(a) (1);

Note 2 - Deposits (Cash) and Temporary Investments (continued)

Temporary Investments (continued)

3. Certificates of deposit. Must be fully collateralized and guaranteed or insured by the FDIC;
4. Fully collateralized repurchase agreements pledged to and held in the District’s name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District, with a defined termination date, and placed through a primary government securities dealer;
5. Commercial paper. Must have a stated maturity of 270 days or fewer and a rating of not less than A-1/P-1 by two nationally recognized credit rating agencies; or a fully secured irrevocable letter of credit from a US bank and one A-1/P-1 credit rating;
6. Money Market Funds. Must be approved by Board and invest its funds only in investments approved by the investment policy;
7. Public Funds Investment Pools. Must be approved by the Board and invest its funds only in investments approved by the Investment Policy.

A summary of the District’s cash and investments at August 31, 2025, are shown below.

	Cash and Deposits	Local Government Investment Pools	Total
Governmental Funds	\$ 29,631,426	\$ 1,303,616,287	\$ 1,333,247,713
Proprietary Funds			
Internal Service Funds	861,455	14,499,388	15,360,843
Total Government Wide Statements	<u>30,492,881</u>	<u>1,318,115,675</u>	<u>1,348,608,556</u>
Fiduciary Funds	677,346	23,433	700,779
Total Cash and Temporary Investments	<u>\$ 31,170,227</u>	<u>\$ 1,318,139,108</u>	<u>\$ 1,349,309,335</u>

Credit Risk

As of August 31, 2025, the District’s investments were primarily in local government pooled funds, TexPool, TASB Lone Star, MBIA – Texas Class, TexStar and Texas Range. The pooled funds are investments that are not evidenced by securities that exist in physical or book entry form and accordingly, do not have custodial risk. The District’s investments policy requires that investments, other than pooled funds, are insured, registered, or the District’s agent holds the securities in the District’s name; therefore, the District is not exposed to custodial credit risk. Custodial Credit risk for investments is the risk that, in event of the failure of the counterparty (e.g. broker dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in the possession of another party.

Concentration of Credit Risk

The District shall diversify its investments by security type and institution. The asset mix of the District’s portfolio is expressed in terms of maximum commitment so as to allow sufficient flexibility to take advantage of market considerations within the context of the policy. The District’s policy requires that a third-party bank trust department hold all securities owned by the District.

As of August 31, 2025 the District’s has no other investments other than local government investment pools. The District generally holds all US government securities to maturity date. The District did not purchase any derivative investment products during the current year nor participate in any reverse repurchase agreements or security lending agreements during the fiscal year 2025.

Note 2 - Deposits (Cash) and Temporary Investments (continued)

Concentration of Credit Risk (continued)

The District’s temporary investments at August 31, 2025, consisted of the following:

	Fair Market Value	Weighted Average Maturity (Days)	Investment Rating	Percentage of Portfolio
Temporary Investments:				
Local Government Investment Pools: *				
TexPool	\$ 489,561,168	43	AAAm	37%
TexStar	369,558,286	44	AAAm	28%
MBIA - Texas CLASS	158,915,962	44	AAAm	12%
Lone Star	222,459,612	26	AAAm	17%
Texas Range	77,644,080	51	AAAf	6%
Total Temporary Investments	\$ 1,318,139,108	41		

* Per GASB 79, valued at amortized cost

State law and the District’s investment policy limit investments in all categories to top ratings issued by national recognized statistical rating organizations. The table above shows the Districts cash and temporary investment balances along with the weighted average maturity by category for the District’s investments at August 31, 2025.

Local Government Investment Pools

As of August 31, 2025, the District’s investments included the Texas Local Government Investment Pool (TexPool), Texas Short Term Asset Reserve Program (TexSTAR), MBIA - Texas Class, Lone Star Local Government Investment Pool (Lone Star), and Texas Range.

TexPool is a public funds investment pool created by the Texas Treasury Safekeeping Trust Company (the Trust Company) to provide a safe environment for the placement of local government funds. The portfolio consists of U.S. Treasury and government agency securities, repurchase agreements, certain mutual funds, collateralized repurchase and reverse repurchase agreements, no-load money market mutual funds regulated by the Securities and Exchange Commission and rated AAAm or equivalent by at least one nationally recognized statistical rating organization, securities lending programs, and certificates of deposit. TexPool is overseen by the State Comptroller of Public Accounts and administered by Federated Investors, Inc. The Act. TexPool uses amortized cost rather than fair value to report net assets to compute share prices. The fair value of the position in TexPool is the same as the value of TexPool shares. Accordingly, the District’s investments in TexPool are stated at amortized cost, which approximates fair value.

TexSTAR is an investment pool managed by J.P. Morgan Fleming Asset Management (USA), Inc. (JPMFAM) and First Southwest Asset Management, Inc. (FSAM). JPMFAM provides investment services and FSAM provides participant services and marketing. Custodial, transfer agency, fund accounting and depository services are provided by JPMorgan Chase Bank and/or its subsidiary J.P. Morgan Investor Services Co. TexSTAR will seek to maintain a credit rating no lower than AAA. AAAm, or the equivalent by at least one nationally recognized rating agency.

Note 2 - Deposits (Cash) and Temporary Investments (continued)

Local Government Investment Pools (continued)

MBIA-Texas CLASS is organized under the Sixth Amended and Restated Trust Agreement in accordance with all the requirements contained in section 2256.016 of the ACT. Texas CLASS is administered by Public Trust Advisors, LLC and all funds are held by the custodial agent, Wells Fargo N.A. Texas CLASS may invest in obligations of the U.S. or its agencies and instrumentalities; repurchase agreements; SEC-registered money market funds rated in the highest rating category by at least one NRSRO; and commercial paper rated A-1, P-1 or equivalent by two nationally recognized rating agencies.

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

Texas Range is a public funds investment pool created by and for Texas local governments to provide investment options with safety, flexibility, and competitive yields. PFM Asset Management, LLC acts as the investment advisor of the pool. Texas DAILY is a money market portfolio with daily liquidity.

Interest Rate Risk

In accordance with its investment policy, the District manages its exposure to declines in the fair value due to interest rate changes by limiting the weighted average maturity of its investment portfolio to no more than 36 months from the date of purchase. However, securities with a maturity of greater than 12 months shall be approved by the Board of Trustees before purchase.

Pursuant to investment agreements approved by each participant with each pool, the business and affairs of the pools are required to be managed by each pool's Board of Trustees (the Board.) The Board consists of members, representing entities that have adopted the investment agreements. The duties of the boards include, but are not limited to, adopting investment policies, appointing investment officers, overseeing the selection of investment managers, custodian banks, investment consultants, and other service providers, monitoring compliance with the pools' investment policy, monitoring performance, and revising the investment policies to reflect changing conditions affecting the pools or the needs of the participants.

Pursuant to Section 2256.016(g) of the Investment Act, the Public Funds Investments Pools have established advisory boards composed of participants and other knowledgeable individuals. The purpose of the advisory boards shall be to gather and exchange information from participants and non-participants relating to the pools' operations. The value of District portions in TexPool, Lone Star, MBIA, TexStar and Texas Range are the same as the value of the Shares. These external pooled funds operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The external pooled funds use amortized cost rather than market value to report net position to compute share price. Accordingly, the fair value of the positions of the pooled funds is the same as the value of the external pool shares. The funds are structured similar to a money market mutual fund which allows shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are also adjusted on a daily basis. Such funds seek to maintain a constant net asset value of \$1. The risk exposure for governmental activities, major funds, internal service funds and fiduciary funds types of the District are not significantly greater than the deposit and investment risk of the overall primary government.

Note 2 - Deposits (Cash) and Temporary Investments (continued)

Interest Rate Risk (continued)

In accordance with GASB 79, TexPool, Lone Star, MBIA Texas Class, TexStar and Texas Range do not have any limitations and restrictions on withdrawals such as notice periods or maximum transactions amounts. None of the pools impose any liquidity fees or redemption gates.

Note 3 - Property Taxes

Property taxes are levied by October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to the property to secure the payment of all taxes, penalties, and interest ultimately imposed. The Central Appraisal District (CAD) of Fort Bend County, Texas establishes appraised values. Taxes are levied by the District's Board of Trustees based on the appraised values received from the CAD. The District contracts with Fort Bend County to perform billing and collection of tax levies.

Property tax rates, established in accordance with state law, are levied on real and personal property within the District's boundaries for use in financing general government and debt service expenditures. Tax rates levied to finance general government and debt service expenditures for the 2024-2025 fiscal year (tax year 2024) were \$0.66690 and \$0.48000, respectively. Based on an assessed property valuation of approximately \$29.4 billion, the resulting tax levy, after exemptions and adjustments for the District was approximately \$337.3 million.

Allowances for uncollectible taxes are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. Net property taxes receivable at August 31, 2025, consisted of the following:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Delinquent taxes - Current Year Levy	\$ 2,243,855	\$ 1,615,011	\$ 3,858,866
Delinquent taxes - Prior Years' Levy	3,428,701	1,469,160	4,897,861
	<u>5,672,556</u>	<u>3,084,171</u>	<u>8,756,727</u>
Penalties and interest receivable	3,079,354	1,400,913	4,480,267
	<u>8,751,910</u>	<u>4,485,084</u>	<u>13,236,994</u>
Less allowance for uncollectible taxes	(2,598,044)	(1,373,056)	(3,971,100)
Net Property Taxes Receivable	<u>\$ 6,153,866</u>	<u>\$ 3,112,028</u>	<u>\$ 9,265,894</u>

Note 4 - Receivables

Receivables as of year-end for the District’s individual major and non-major funds in the aggregate including the applicable of allowances for uncollectible accounts, are as follows:

	General	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Internal Service Funds	Total
Property taxes	\$ 8,751,910	\$ 4,485,084	\$ -	\$ -	\$ -	\$ 13,236,994
Other	454,002	-	221,538	145,090	159,776	980,406
Gross Receivables	9,205,912	4,485,084	221,538	145,090	159,776	14,217,400
Less Allowance for doubtful accounts	(2,598,044)	(1,373,056)	-	-	-	(3,971,100)
	<u>\$ 6,607,868</u>	<u>\$ 3,112,028</u>	<u>\$ 221,538</u>	<u>\$ 145,090</u>	<u>\$ 159,776</u>	<u>\$ 10,246,300</u>

Note 5 - Interfund Receivables, Payables and Transfers

Interfund balances consist of short-term lending/borrowing arrangements that result primarily from payroll, warehouse ordering and other regularly occurring charges that are paid by the general fund and then charged back to the appropriate other fund. Additionally, some lending/borrowing may occur between two or more non-major governmental funds. Amounts due to/from other funds at August 31, 2025, include the following:

	Interfund Receivable	Interfund
Governmental Funds		
General Fund	\$ 9,158,051	\$ 269,224
Debt Service Fund	55,485	-
Capital Projects Fund	1,507	102,096
Nonmajor Funds	712,702	5,054,814
Total Governmental Funds	<u>9,927,745</u>	<u>5,426,134</u>
Internal Service Funds	-	4,501,611
Total Internal Service Funds	-	4,501,611
	<u>\$ 9,927,745</u>	<u>\$ 9,927,745</u>

Interfund transfers are defined as “flows of assets without equivalent flow of assets in return and without a requirement for repayment.” For the fiscal year ended August 31, 2025, Interfund transfers were made as summarized below:

Transfer Out	Transfer In	Amount
General Fund	Child Nutrition Fund	\$ 19,633
		<u>\$ 19,633</u>

The General Fund transferred \$19,633 to the Child Nutrition Fund to cover student deficit balances.

Note 6 - Due From Other Governments

Due from other governments reported in the District’s General, Debt Service and Special Revenue Funds at August 31, 2025, consisted of the following:

	General Fund	Nonmajor Governmental Funds	Total
State expenditure-driven grant			
Reimbursement	\$ -	3,000,429	\$ 3,000,429
State Aid	8,051,676	-	8,051,676
Federal expenditure-driven grant	-	6,787,502	6,787,502
	<u>\$ 8,051,676</u>	<u>\$ 9,787,931</u>	<u>\$ 17,839,607</u>

Note 7 - Unavailable Revenues and Unearned Revenues

Unearned revenue at year-end represents funds received in advance for which expenditures have not been incurred for grants. Governmental funds report deferred inflows of resources in connection with receivables for revenues that are considered to be unavailable to liquidate liabilities in the current period.

	Unearned	Unavailable
Other receipts/receivables - General Fund	\$ 89,192	\$ -
Grant funds received prior to meeting all eligibility requirements	135,349	-
Property taxes - General Fund	-	6,153,866
Property taxes - Debt Service Fund	-	3,112,028
	<u>\$ 224,541</u>	<u>\$ 9,265,894</u>

Note 8 - Capital Assets

A summary of changes in capital assets for the year ended August 31, 2025, follows:

	Balance August 31, 2024	Additions	Retirements and Transfers	Balance August 31, 2025
Capital Assets, Not Being Depreciated/Amortized:				
Land	\$ 146,769,045	\$ 10,353,178	\$ -	\$ 157,122,223
Construction in progress	261,483,615	346,794,049	(448,144,347)	160,133,317
Total Capital Assets, Not Being Depreciated/Amortized	<u>408,252,660</u>	<u>357,147,227</u>	<u>(448,144,347)</u>	<u>317,255,540</u>
Capital Assets, Being Depreciated/Amortized:				
Buildings and improvements	1,666,831,954	46,945,823	448,144,347	2,161,922,124
Furniture and equipment	144,090,048	59,156,073	-	203,246,121
Right to use:				
Lease assets				
Equipment	1,809,375	-	-	1,809,375
SBITA assets	2,874,352	-	(755,400)	2,118,952
Total Capital Assets, Being Depreciated/Amortized	<u>1,815,605,729</u>	<u>106,101,896</u>	<u>447,388,947</u>	<u>2,369,096,572</u>
Less Accumulated Depreciation/Amortization For:				
Buildings and improvements	(427,965,835)	(52,013,055)	-	(479,978,890)
Furniture and Equipment	(74,759,611)	(21,811,362)	-	(96,570,973)
Right to use:				
Lease assets				
Equipment	(168,064)	(363,068)	-	(531,132)
SBITA assets	(1,009,385)	(705,225)	755,400	(959,210)
Total Accumulated Depreciation/Amortization	<u>(503,902,895)</u>	<u>(74,892,710)</u>	<u>755,400</u>	<u>(578,040,205)</u>
Governmental Capital Assets	<u>\$ 1,719,955,494</u>	<u>\$ 388,356,413</u>	<u>\$ -</u>	<u>\$ 2,108,311,907</u>

Note 8 - Capital Assets (continued)

Exhibit B-1, Statement of Activities, reflects depreciation/amortization charges to the following functions or programs:

	<u>Function</u>	<u>Depreciation/ Amortization Expense</u>
11	Instruction	\$ 58,757,117
12	Instructional resources and media services	290,966
21	Instructional leadership	71,238
23	School leadership	1,637,043
31	Guidance, counseling and evaluation services	45,008
32	Social work services	-
33	Health services	33,053
34	Student transportation	3,292,203
35	Food Services	780,400
36	Extracurricular activities	3,076,037
41	General administration	231,408
51	Facilities maintenance and operations	1,336,355
52	Security and monitoring services	2,278,038
53	Data processing services	3,063,844
		<u>\$ 74,892,710</u>

The District has active construction projects, the related commitments as of August 31, 2025, are as follows:

<u>Project</u>	<u>Authorized Contract</u>	<u>Construction in Progress</u>	<u>Remaining Commitment</u>
Safety & Security District Wide	\$ 33,769,980	\$ 32,216,512	\$ 1,553,468
CTE Center	124,207,041	76,166,987	48,040,054
Elementary #37	36,150,000	8,378,205	27,771,795
Elementary #38	37,091,500	11,438,828	25,652,672
Administration Building	33,769,980	8,151,516	25,618,464
High School #8	187,723,705	23,781,269	163,942,436
	<u>\$ 452,712,206</u>	<u>\$ 160,133,317</u>	<u>\$ 292,578,889</u>

Note 9 - Changes in Long-Term Debt and Debt Service Requirements

Long-term debt consists of general obligation bonds and accrued compensated absences payable. General obligation bonds are payable solely from future revenues of the Debt Service Fund which consists principally of property taxes collected by the District and investment income.

In December 2024, the District issued \$195,385,000 in Unlimited Tax Refunding Bonds, Series 2024A and associated unamortized premium of \$17.3 million with interest rates of 4.00% to 5.00% for the (i) refunding of \$211.6 million of the District's Unlimited Tax Refunding Bonds Series 2015 and 2016A outstanding debt. The District made a \$3.2 million payment towards the refunding and \$211.4 million was placed in escrow. The District's gain on refunding was approximately \$16.2 million. The net cash flow for these bonds prior to refunding were expected to be \$297.2 million, but the after the refunding the debt service was \$275.8 million. The present value savings of the refunding totaled \$15.07 million.

A summary of changes in long-term debt for the year ended August 31, 2025, follows:

	<u>Balance August 31, 2024</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance August 31, 2025</u>	<u>Due Within One Year</u>
General obligation bonds	\$ 3,112,195,000	\$ 195,385,000	\$ (248,985,000)	\$ 3,058,595,000	\$ 35,035,000
Bond issuance premiums/discounts	261,492,272	17,262,001	(27,595,126)	251,159,147	-
Total Bonds Payable	<u>3,373,687,272</u>	<u>212,647,001</u>	<u>(276,580,126)</u>	<u>3,309,754,147</u>	<u>35,035,000</u>
Arbitrage payable	1,000,500	-	(1,000,500)	-	-
Leases payable	1,640,773	-	(342,024)	1,298,749	350,422
SBITA payable	1,595,814	-	(565,055)	1,030,759	457,297
Accrued compensated absences	284,849	-	(121,710)	163,139	69,355
	<u>\$ 3,378,209,208</u>	<u>\$ 212,647,001</u>	<u>\$ (278,609,415)</u>	<u>\$ 3,312,246,794</u>	<u>\$ 35,912,074</u>

Bonded long-term debt, at August 31, 2025, is comprised of the following individual issues:

<u>Issue</u>	<u>Original issuance</u>		<u>Maturity Date</u>		<u>Debt Outstanding</u>
	<u>amount</u>	<u>Interest Rate (%)</u>	<u>Range</u>		
Unlimited Tax Schoolhouse and Refunding Bonds Series 2015	\$ 213,170,000	4.00% to 5.00%	2/15/2048		\$ 34,655,000
Unlimited Tax Refunding Bonds Series 2016A	114,620,000	2.00% to 5.00%	2/15/2035		7,780,000
Unlimited Tax Schoolhouse Bonds Series 2017	93,000,000	3.25% to 5.00%	2/15/2049		84,095,000
Unlimited Tax Schoolhouse Bonds Series 2018	289,260,000	4.00% to 5.00%	2/15/2050		283,430,000
Unlimited Tax Schoolhouse Bonds Series 2019	137,800,000	3.00% to 5.00%	2/15/2051		135,015,000
Unlimited Tax Refunding Bonds Series 2020	76,970,000	3.00% to 4.00%	2/15/2047		76,970,000
Unlimited Tax Schoolhouse Bonds Series 2021	225,425,000	2.00% to 5.00%	2/15/2061		217,690,000
Unlimited Tax Refunding Bonds Series 2021A	141,415,000	2.38% to 5.00%	2/15/2045		119,415,000
Unlimited Tax Schoolhouse Bonds Series 2022	410,955,000	4.00% to 5.00%	2/15/2062		407,485,000
Unlimited Tax Schoolhouse Bonds Series 2023	636,360,000	4.00% to 5.50%	2/15/2058		632,990,000
Unlimited Tax Schoolhouse Bonds Series 2023A	521,730,000	4.00% to 5.00%	2/15/2058		520,545,000
Unlimited Tax School Building and Refunding Bonds 2024	345,090,000	4.00% to 5.00%	2/15/2059		343,140,000
Unlimited Tax Refunding Bonds Series 2024A	195,385,000	4.00% to 5.00%	2/15/2044		195,385,000
					<u>\$ 3,058,595,000</u>

Note 9 - Changes in Long-Term Debt and Debt Service Requirements (continued)

Annual requirements to amortize all bonded and contractual obligation long-term debt outstanding, as of August 31, 2025, follows:

Year Ending August 31,	Principal	Interest	Totals
2026	\$ 35,035,000	\$ 133,478,045	\$ 168,513,045
2027	36,780,000	131,724,144	168,504,144
2028	38,670,000	129,837,894	168,507,894
2029	40,660,000	127,854,644	168,514,644
2030	50,750,000	125,612,144	176,362,144
2031-2035	360,095,000	580,927,658	941,022,658
2036-2040	455,410,000	488,710,770	944,120,770
2041-2045	533,345,000	380,058,527	913,403,527
2046-2050	545,675,000	270,324,235	815,999,235
2051-2055	483,655,000	164,336,286	647,991,286
2056-2060	423,810,000	47,343,443	471,153,443
2061-2065	54,710,000	1,927,275	56,637,275
	<u>\$ 3,058,595,000</u>	<u>\$ 2,582,135,065</u>	<u>\$ 5,640,730,065</u>

The District is in compliance with all significant bond and contractual obligation limitations and restrictions.

Defeased Debt

In prior years, the District defeased certain general obligations and other bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District’s financial statements. The District had no outstanding defeased debt as of August 31, 2025.

Note 10 - Leases

On September 1, 2021, the District implemented GASB Statement No. 87, *Leases* and reported three five-year lease agreements for printers, postage meters, and copiers. As of implementation, the length of terms are 49, 32, and 25.5 months, respectively. The District is required to make monthly principal and interest payments of \$31,764. The leases have an interest rate of 3.30%.

The following table lists the lease liabilities and right to use lease assets as of fiscal year ended August 31, 2025.

Description	Start Date	End Date	Interest Rate	Lease Liability		Right to Use Lease Asset		
				Original Amount	Liability as of August 31, 2025	Original Amount	Accumulated Amortization August 31, 2025	Net Amount August 31, 2025
Canon	10/06/20	10/05/25	3.30%	\$ 26,532	\$ 301	\$ 26,532	\$ 25,992	\$ 540
Quadient	04/01/24	03/31/29	2.64%	224,162	163,257	224,162	63,513	160,649
ImageNet	04/01/24	03/31/29	2.64%	1,558,681	1,135,191	1,558,681	441,627	1,117,054
				<u>\$ 1,809,375</u>	<u>\$ 1,298,749</u>	<u>\$ 1,809,375</u>	<u>\$ 531,132</u>	<u>\$ 1,278,243</u>

Amortization of right to use lease assets is included in depreciation/amortization expense within the Governmental Activities.

Note 10 – Leases (continued)

Future principal and interest leases payments as of August 31, 2025, were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 350,422	\$ 30,018	\$ 380,440
2027	359,462	20,676	380,138
2028	369,053	11,085	380,138
2029	219,812	1,934	221,746
Total	\$ 1,298,749	\$ 63,713	\$ 1,362,462

Note 11 – Subscription Based Information Technology Arrangements (SBITAs)

On September 1, 2023, the District entered a 36-month subscription for the use of Informed K-12. An initial subscription liability was recorded in the amount of \$222,258. As of August 31, 2025, the value of the subscription liability is \$76,529. The subscription has an interest rate of 2.90%. The District is required to make annual fixed payments of \$75,000 in the first two years, and \$78,750 in the third year.

On August 5, 2024, the District also entered a 60-month subscription for the use of Cisco Collaboration Flex. An initial subscription liability was recorded in the amount of \$848,074. As of August 31, 2025, the value of the subscription liability is \$508,539. The subscription has an interest rate of 3.05%. The District is required to make annual fixed payments of \$179,953.

On September 1, 2022, the District also entered a 60-month subscription for the use of Canvas Cloud and Studio Cloud. An initial subscription liability was recorded in the amount of \$1,048,620. As of August 31, 2025, the value of the subscription liability is \$445,691. The subscription has an interest rate of 2.89%. The District is required to make annual payments of approximately \$222,200.

The following table lists the SBITA liabilities and SBITA assets as of fiscal year ended August 31, 2025.

<u>Description</u>	<u>Start Date</u>	<u>End Date</u>	<u>Interest Rate</u>	<u>SBITA Liability</u>		<u>SBITA Asset</u>		
				<u>Original Amount</u>	<u>Liability as of August 31, 2025</u>	<u>Original Amount</u>	<u>Accumulated Amortization August 31, 2025</u>	<u>Net Amount August 31, 2025</u>
Canvas and Studio	09/01/22	08/31/27	2.89%	\$ 1,048,620	\$ 445,691	\$ 1,048,620	\$ 629,172	\$ 419,448
Informed K-12	09/01/23	08/31/26	2.90%	222,258	76,529	222,258	148,173	74,085
Cisco Collaboration Flex	08/05/24	08/04/29	3.05%	848,074	508,539	848,074	181,865	666,209
				\$ 2,118,952	\$ 1,030,759	\$ 2,118,952	\$ 959,210	\$ 1,159,742

Amortization of the SBITA assets is included in depreciation/amortization expense within the Governmental Activities.

Note 11 - Subscription Based Information Technology Arrangements (SBITAs) (Continued)

Future principal and interest leases payments as of August 31, 2025, were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 457,297	\$ 30,606	\$ 487,903
2027	398,833	17,120	415,953
2028	174,629	5,324	179,953
Total	<u>\$ 1,030,759</u>	<u>\$ 53,050</u>	<u>\$ 1,083,809</u>

Note 12 - Fund Equity

According to District policy, as prescribed by GASB Statement No. 54, the Board may establish commitments and the Superintendent and Chief Financial Officer may assign fund balances from time to time in order to meet specific District needs. A summary of committed and assigned fund balance as of August 31, 2025 for all governmental types follows:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>
Committed Fund Balance		
Committed - Other:		
Food service program	\$ 500,000	\$ -
Campus activity funds	-	3,146,994
Total Committed - Other	<u>500,000</u>	<u>3,146,994</u>
Total Committed	<u>\$ 500,000</u>	<u>\$ 3,146,994</u>
Assigned Fund Balance		
Assigned - other:		
Encumbrances	\$ 1,576,874	\$ -
Other Budgetary Set-Asides	1,426,676	-
Vending	352,526	-
Total Assigned	<u>\$ 3,356,076</u>	<u>\$ -</u>

Note 13 - Local Revenues

A summary of local revenues as presented in the governmental fund financial statements for the year ended August 31, 2025 follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Property taxes	\$ 193,516,494	139,354,897	\$ -	\$ -	\$ 332,871,391
Penalties and interest	1,243,950	824,017	-	-	2,067,967
Investment income	6,481,011	4,548,126	62,480,400	430,335	73,939,872
Tuition and summer school	424,536	-	-	-	424,536
Co-curricular student activities	690,149	-	-	-	690,149
Food sales	-	-	-	6,098,533	6,098,533
Other	1,781,619	-	-	5,536,425	7,318,044
	<u>\$ 204,137,759</u>	<u>\$ 144,727,040</u>	<u>\$ 62,480,400</u>	<u>\$ 12,065,293</u>	<u>\$ 423,410,492</u>

Note 14 - General Fund Federal Program Revenues

For purposes of regulatory requirements of the Texas Education Agency, a summary of federal program revenues received in the General Fund for the year ended August 31, 2025, are as follows:

<u>Program or Source</u>	<u>ALN</u>	<u>General Fund</u>
ROTC	N/A	\$ 145,621
Disaster Grants - Emergency Protective Measures	97.036	90,945
Indirect costs:		
Title I, Part A Improving Basic Programs	84.010A	186,124
Title I, Part D Subpart 2 Delinquent Programs	84.010A	2,014
Carl D. Perkins Basic Formula	84.048A	12,369
Texas Education For Homeless Children & Youth	84.196A	1,322
Title III, Part A, ELA	84.365A	31,423
Title III, Part A, Immigrant	84.365A	2,742
Title II, Part A, Supporting Effective Instruction	84.367A	28,881
Title IV, Part, Subpart 1	84.424A	13,303
IDEA-B Formula	84.027A	326,116
Medicaid Administrative Claims (MAC)	93.778	18,068
SHARS	N/A	895,333
Total		<u><u>\$ 1,754,261</u></u>

Note 15 - Pension Plan and Other Post-Employment Benefits (OPEB)

Plan Description

The District participates in a multiple-employer, cost-sharing, defined benefit pension plan. 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 workload and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Pension Plan Fiduciary Net Position

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

Note 15 - Pension Plan and Other Post-Employment Benefits (continued)

Benefits Provided

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

One-Time Stipends

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

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

Cost-of-Living Adjustment

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

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

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

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.

Note 15 - Pension Plan and Other Post-Employment Benefits (continued)

Contributions (continued)

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

	<u>Contribution Rates</u> <u>Measurement Year</u>
	<u>September 1, 2024</u> <u>to August 31, 2025</u>
Active Employee	8.25%
Non-Employer Contributing Entity (State)	8.25%
District	8.25%
	 Current Fiscal Year
	Contributions
Employer (District)	\$ 15,914,200
Employee (Member)	29,617,504
Non-employer Contributing Entity	
On-behalf Contributions (State)	19,703,723

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

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

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

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

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

Note 15 - Pension Plan and Other Post-Employment Benefits (continued)

Actuarial Assumptions

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

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

The actuarial methods and assumptions are used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2023. These assumptions are further described the 2021 TRS ACFR, which includes actuarial valuation report dated November 21, 2023.

Discount Rate

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

Note 15 - Pension Plan and Other Post-Employment Benefits (continued)

Discount Rate (continued)

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

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

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

1 Absolute Return includes Credit Sensitive Investments.

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

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

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

Note 15 - Pension Plan and Other Post-Employment Benefits (continued)

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net pension liability if the discount rate used was 1 percentage point lower than and 1 percentage point higher than the discount rate that was used (7.00%) in measuring the Net pension liability:

	Discount Rate		
	1% Decrease (6.00%)	Current (7.00%)	1% Increase (8.00%)
District's proportional share of the net pension liability	\$ 217,103,297	\$ 135,922,890	\$ 68,659,152

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

At August 31, 2025, the District reported a liability of \$135,922,890 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportion of the net pension liability	0.2225%
District's proportionate share of the collective net pension liability	\$ 135,922,890
State's proportionate share that is associated with the District	<u>177,832,738</u>
Total	<u><u>\$ 313,755,628</u></u>

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 through August 31, 2024.

At August 31, 2024, the District's proportion of the collective net pension liability was 0.2225% which was an increase of 0.0074% from its proportion measured as of August 31, 2023.

The General, Capital Projects and Special Revenue Funds are used to liquidate pension liabilities.

Changes in Assumptions and Benefits Since the Prior Actuarial Valuation

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

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

Note 15 - Pension Plan and Other Post-Employment Benefits (continued)

Changes Since the Prior Actuarial Valuation

For the year ended August 31, 2025, the District recognized pension expense of \$22,821,037 and expense of \$21,253,984 representing 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 pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 7,491,884	\$ (1,061,220)
Changes of assumption	7,017,990	(940,873)
Net difference between projected and actual earnings on pension plan investments	826,228	-
Changes in proportion and differences between District contributions and proportionate share of contributions	9,735,187	(219,961)
District contributions subsequent to the measurement date of the net pension liability	15,914,199	-
Total	<u>\$ 40,985,488</u>	<u>\$ (2,222,054)</u>

The District recognized \$15,914,199 as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the measurement year ended 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:

<u>Fiscal Year</u>	<u>Pension Expense</u>
2026	\$ 3,669,748
2027	17,504,921
2028	3,373,782
2029	(2,600,958)
2030	901,742
	<u>\$ 22,849,235</u>

Note 16 - Defined Other Post-Employment Benefit Plan

Plan Description

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS- Care). It is a multiple-employer, cost-sharing, defined benefit 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.

Note 16 - Defined Other Post-Employment Benefit Plan (continued)

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 <https://www.trs.texas.gov/learning-resources/publications>, or by writing to TRS at attention Finance Division, PO BOX 149676, Austin, TX, 78714-0185, or by calling 1-800-223-8778.

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

Contributions

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

Texas Insurance Code, section 1575.202 establishes the state’s contribution rate which is 1.25% of the employee’s salary. Section 1575.203 establishes the active employee’s rate which is .65% of salary. Section 1575.204 establishes a public school contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of employer. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act which is 0.75% of each active employee’s pay for fiscal year 2025. The following table shows contributions to the TRS-Care plan by type of contributor.

Note 16 - Defined Other Post-Employment Benefit Plan (continued)

Contributions (continued)

	<u>Contribution Rates</u> <u>Measurement Year</u>
	<u>September 1, 2024</u> <u>to August 31, 2025</u>
Active Employee	0.65%
Non-Employer Contributing Entity (Stat District:	1.25%
District, Excluding Federal/Private Fur	0.75%
Federal/Private Funding	1.25%
	Current Fiscal Year
	Contributions
Active Employee	\$ 2,331,680
Non-Employer Contributing Entity (State)	6,833,179
District:	
District, Excluding Federal/Private Funding	2,803,513
Federal/Private Funding	183,575
Total District	<u>2,987,088</u>
Total	<u>\$ 12,151,947</u>

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether or not they participate in the TRS Care OPEB program). When employers hire a TRS retiree, they 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 was determined using the following actuarial assumptions:

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. All the demographic assumptions, including rates of retirement, termination, and disability, and most of the economic assumptions, including general inflation and salary increases, used in the OPEB valuation were identical to those used in the respective TRS pension valuation. The demographic assumptions were updated based on in the experience study performed for TRS for the period ending August 31, 2021.

The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2023 TRS pension actuarial valuation that was rolled forward to August 31, 2024: (a) Rates of Mortality, (b) Rates of Retirement, (c) Rates of Termination, (d) Rates of Disability, (e) General Inflation, (f) Wage Inflation, and (g) Expected Payroll Growth.

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

Note 16 - Defined Other Post-Employment Benefit Plan (continued)

Actuarial Assumptions (continued)

Additional Actuarial Methods and Assumptions:

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

Discount Rate

A single discount rate of 3.87 percent was used to measure the Total OPEB Liability. There was 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-Bond 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

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

	Discount Rate		
	1% Decrease (2.87%)	Current Rate (3.87%)	1% Increase (4.87%)
District's proportional share of the net OPEB liability	\$ 98,696,578	\$ 83,074,660	\$ 70,451,915

Note 16 - Defined Other Post-Employment Benefit Plan (continued)

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

At August 31, 2025, the District reported a liability of \$83,074,660 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	\$	83,074,660
State's proportionate share that is associated with District		<u>104,091,422</u>
Total	\$	<u>187,166,082</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 District’s proportion of the Net OPEB Liability was based on the District’s contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2023 through August 31, 2024.

At August 31, 2024, the District’s proportion of the collective net OPEB liability was 0.2737% which was an increase of 0.0100% from its proportion measured as of August 31, 2023.

The General, Capital Projects and Special Revenue Funds are used to liquidate OPEB liabilities.

Healthcare Trend Rate Sensitivity Analysis

Healthcare Cost Trend Rates – 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 assumed.

	Healthcare Cost Trend Rate		
	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
District's proportional share of the net OPEB liability	\$ 67,651,977	\$ 83,074,660	\$ 103,171,954

Changes Since the Prior Actuarial Valuation

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

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

Changes of Benefit Terms Since the Prior Measurement Date

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

For the year ended August 31, 2025, the District recognized negative OPEB expense of \$5,708,797. The District also recognized negative on-behalf OPEB expense and revenue of \$13,529,964 for support provided by the State.

Note 16 - Defined Other Post-Employment Benefit Plan (continued)

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

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 other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 15,922,623	\$ (41,458,759)
Changes of assumption	10,632,575	(27,106,300)
Net difference between projected and actual earnings on OPEB plan investments	-	(232,636)
Changes in proportion and differences between District contributions and proportionate share of contributions	18,124,830	-
District contributions subsequent to the measurement date of the net OPEB liability	2,987,088	-
Total	\$ 47,667,116	\$ (68,797,695)

The District recognized \$2,987,088 as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date, which will be recognized as a reduction of the net OPEB liability in the measurement year ended August 31, 2025. The other amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending August 31:	OPEB Expense Amount
2026	\$ (7,871,125)
2027	(4,108,588)
2028	(6,535,726)
2029	(5,484,927)
2030	(2,329,401)
Thereafter	2,212,100
	\$ (24,117,667)

Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2025, 2024, and 2023, the subsidy payments received by TRS-Care on-behalf of the District were \$2,393,397, \$1,639,103 and \$1,514,413, respectively. The information for the year ended August 31, 2025 is an estimate provided by the Teacher Retirement System. These payments are recorded as equal revenues and expenditures in the governmental fund's financial statements of the District.

Note 17 - Commitments and Contingencies

Risk Management

The District is exposed to various risks related to torts: theft of, damage to and destruction of assets; errors and omissions; and natural disaster. The District’s risk management program encompasses various means of protecting the District against loss by obtaining property, casualty, and liability coverage through commercial insurance carriers, self-insurance, and from participation in a risk pool.

The District has been named in several civil lawsuits. The outcome of these pending cases cannot presently be determined; however, the District plans to vigorously contest each action. In the opinion of management, disposition of these lawsuits will have no material adverse effect on the financial position of the District.

The District established a limited risk management program for Health Insurance and Workers’ Compensation by establishing an Internal Service Fund to account for its insured and self-insured risk of loss. The Internal Service Fund (Health Insurance) is principally supported by contributions from the district and the employees. The District makes contributions to cover the employees and the employees are required to make contributions to cover their dependents. The Internal Service Fund charges the General Fund premiums for the District’s contribution.

The District has obtained excess loss insurance that limits the District’s claims paid to \$100,000 for individual and \$1,000,000 in aggregate claims on an annual basis. Estimates of claims payable and of claims incurred but not reported at August 31, 2025 are based on the District’s historical experience and are reflected as accrued expenses of the Fund. The liabilities include an amount for claims that have been incurred but were not reported until after August 31, 2025. Because actual claims liabilities depend on such complex factors as inflation, changes in legal requirements and damages awards, the process used in computing claims liability is an estimate.

Analysis of claims liability, for the fiscal years 2023-2025, is as follows:

Fiscal Year	Beginning of Year Accrual	Current Year Estimates	Claims Payments	End of Year Accrual
2025	\$ 3,079,927	\$ 49,755,364	\$ 48,870,771	\$ 3,964,520
2024	3,231,578	47,016,571	47,168,222	3,079,927
2023	3,578,233	39,809,261	40,155,916	3,231,578

The District also provides workers’ compensation to its employees, through a self-insured plan which is accounted for in the Internal Service Fund. The Internal Service Fund charges the General Fund premiums for the District’s contribution. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities also include an estimated amount for claims that have been incurred but not reported. The result of the process to estimate the claims liability is based upon the District’s historical experience. The District has obtained excess loss insurance that limits the District’s claims paid to \$100,000 for any individual participant. Analysis of claims liability for the fiscal years 2023-2025, is a follows:

Fiscal Year	Beginning of Year Accrual	Current Year Estimates	Claims Payments	End of Year Accrual
2025	\$ 574,256	\$ 1,228,159	\$ 1,333,348	\$ 469,067
2024	498,739	903,847	828,330	574,256
2023	466,250	778,538	746,049	498,739

During fiscal year 2024-25 the District was a member of the Texas Association of School Boards Property Casualty Joint Account, a public entity risk pool. The District’s participation in the risk pool is limited to paying premiums for unemployment insurance and professional legal liability insurance coverage. Settled claims have not exceeded insurance coverage in any of the previous three years. There has not been any significant reduction in insurance coverage from that of the previous year.

Note 17 - Commitments and Contingencies (continued)

Federal Tax Compliance (Arbitrage) for Tax Exempt Debt

In accordance with provisions of Section 148 of the Internal Revenue Code of 1986, as amended, (the “Code”) the District’s “tax exempt” debt obligations must meet certain minimum criteria to be considered and continue to be considered “tax-exempt.” This “tax-exempt” status means that interest income earned by purchasers of the District’s long-term debt instruments is not subject to federal income taxes. Related Treasury Regulations promulgated under section 148 of the Code generally provide that the determination of whether these obligations are tax exempt is made as of the date such obligations are issued based on reasonable expectations regarding the use of the proceeds of the bonds issued. Any tax-exempt debt issue that does not meet and continue to meet the minimum criteria of Section 148 of the Code and the related Treasury Regulations described above are considered “arbitrage bonds” and are not considered “tax exempt” as described above. During fiscal year 2025, the District did not have a liability related to arbitrage.

Rebate

Tax exempt bonds will become arbitrage bonds (as described above) if certain arbitrage profits are not paid to the federal government as rebate under section 148(f) of the Code. The District’s obligations to calculate and make rebate payments (if any) will continue as long as there are gross proceeds allocable to outstanding tax-exempt debt. The District has performed calculations required under section 148(f) of the Code and has determined that there is no liability as of August 31, 2025.

Unexpended Tax Exempt Debt Issuance Proceeds (Yield Restriction Requirements) - Section 148 of the Code also provides that in order for tax exempt debt not to be considered arbitrage debt (as described above), certain proceeds require yield restriction meaning that proceeds of such debt must be invested at a yield that is not materially higher than the yield on the debt issued. The yield restriction may be accomplished by making yield reduction payments pursuant to Treas. Reg. Section 1.148-5(c). The District is continuing to proceed with reasonable diligence to expend any remaining unexpended debt issuance proceeds on qualifying projects or to retire related debt issues still outstanding.

Note 18 - Net Investment in Capital Assets

The District’s investment in capital assets, net of related debt, is comprised of various components as shown below:

Capital Assets, Net	\$	2,108,311,907
Bonds payable		(3,058,595,000)
Premium		(251,159,147)
Deferred gain (loss) on refunding		(29,073,101)
Lease liability		(1,298,749)
SBITA Liability		(1,030,759)
Unspent bond proceeds		1,168,278,632
Capital related liabilities		(64,944,994)
Net Investment in Capital Assets	\$	<u>(129,511,211)</u>

Note 19 - Subsequent Event

In November 2025, the voters of the District approved a bond election authorizing the issuance of general obligations bonds in an aggregate amount of approximately \$1.96 billion for the purpose of financing school facilities and technology-related improvements:

- Proposition A: New Schools & Facility Improvements
- Proposition C: Technology Equipment Refresh
- Proposition D: Student Device Initiative

APPENDIX E

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

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

The regular session of the 89th Texas Legislature (the “Legislature”) convened on January 14, 2025, and concluded on June 2, 2025. The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor may call one or more special sessions, at the Governor’s discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Governor called a first special session, which began on July 21, 2025, and ended on August 15, 2025. The Governor called a second special session, which began on August 15, 2025, and ended on September 4, 2025 (the regular session together with the special sessions may hereinafter be referred to as the “89th Legislative Session”). The TEA, the State Board of Education (the “SBOE”), and the Texas Permanent School Fund Corporation (the “PSF Corporation”) are in the process of monitoring the implementation of legislation signed by the Governor and make no representation regarding any actions taken by the Legislature in the 89th Legislative Session that may materially impact themselves, the Guarantee Program, the Act, and Texas school finance in general.

History and Purpose

The PSF supports the State’s public school system in two major ways: distributions to the constitutionally established Available School Fund (the “ASF”), as described below, and the guarantee of school district and charter district issued bonds through the Guarantee Program. The PSF was created in 1845 and received its first significant funding with a \$2,000,000 appropriation by the Legislature in 1854 expressly for the benefit of the public schools of Texas, with the sole purpose of assisting in the funding of public education for present and future generations. The Constitution of 1876 described that the PSF would be “permanent,” and stipulated that certain lands and all proceeds from the sale of these lands should also constitute the PSF. Additional acts later gave more public domain land and rights to the PSF. In 1953, the U.S. Congress passed the

Submerged Lands Act that relinquished to coastal states all rights of the U.S. navigable waters within state boundaries. If the State, by law, had set a larger boundary prior to or at the time of admission to the Union, or if the boundary had been approved by Congress, then the larger boundary applied. After three years of litigation (1957-1960), the U.S. Supreme Court on May 31, 1960, affirmed Texas' historic three marine leagues (10.35 miles) seaward boundary. Texas proved its submerged lands property rights to three leagues into the Gulf of Mexico by citing historic laws and treaties dating back to 1836. All lands lying within that limit belong to the PSF. The proceeds from the sale and the mineral-related rental of these lands, including bonuses, delay rentals and royalty payments, become the corpus of the Fund. Prior to the approval by the voters of the State of an amendment to the constitutional provision under which the Fund was established and administered, which occurred on September 13, 2003 (the "Total Return Constitutional Amendment"), and which is further described below, only the income produced by the PSF could be used to complement taxes in financing public education, which primarily consisted of income from securities, capital gains from securities transactions, and royalties from the sale of oil and natural gas. The Total Return Constitutional Amendment provides that interest and dividends produced by Fund investments will be additional revenue to the PSF.

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

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

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

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

Audited financial information for the PSF is provided annually through the PSF Corporation's Annual Comprehensive Financial Report (the "Annual Report"), which is filed with the Municipal Securities Rulemaking Board ("MSRB"). The Texas School Land Board's (the "SLB") land and real assets investment operations, which are part of the PSF as described below, are also included in the annual financial report of the Texas General Land Office (the "GLO") that is included in the annual comprehensive report of the State of Texas. The Annual Report includes the Message From the Chief Executive Officer of the PSF Corporation (the "Message") and the Management's Discussion and Analysis ("MD&A"). The Annual Report for the year ended August 31, 2025, as filed with the MSRB in accordance with the PSF undertaking and agreement made in accordance with Rule 15c2-12 ("Rule 15c2-12") of the United States Securities and Exchange Commission (the "SEC"), as described below, is hereby incorporated by reference into this disclosure. Information included herein for the year ended August 31, 2025, is derived from the audited financial statements of the PSF, which are included in the Annual Report as it is filed and posted. Reference is made to the Annual Report for the complete Message and MD&A for the year ended August 31, 2025, and for a description of the financial results of the PSF for the year ended August 31, 2025, the most recent year for which audited financial information regarding the Fund is available. The 2025 Annual Report speaks only as of its date and the PSF Corporation has not obligated itself to update the 2025 Annual Report or any other Annual Report. The PSF Corporation posts (i) each Annual Report, which includes statistical data regarding the Fund as of the close of each fiscal year, (ii) the most recent disclosure for the Guarantee Program, (iii) the PSF Corporation's Investment Policy Statement (the "IPS"), and (iv) monthly updates with respect to the capacity of the Guarantee Program (collectively, the "Web Site Materials") on the PSF Corporation's web site at <https://texaspsf.org> and with the MSRB at www.emma.msrb.org. Such monthly updates regarding the Guarantee Program are also incorporated herein and made a part hereof for all purposes. In addition to the Web Site Materials, the Fund is required to make quarterly filings with the SEC under Section 13(f) of the Securities Exchange Act of 1934. Such filings, which consist of a list of the Fund's holdings of securities as required by Section 13(f), are available from the SEC at www.sec.gov/edgar. A list of the Fund's equity and fixed income holdings as of August 31 of each year is posted to the PSF Corporation's web site and filed with the MSRB. Such list excludes holdings in the Fund's securities lending program. Such list, as filed, is incorporated herein and made a part hereof for all purposes.

Management and Administration of the Fund

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

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

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

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

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

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

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

Corporation, but such authorization does not affect the State Auditor’s authority to conduct an audit of the PSF Corporation in accordance with State laws.

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

The Total Return Constitutional Amendment

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

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

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

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

Annual Distributions to the Available School Fund¹

<u>Fiscal Year Ending</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023²</u>	<u>2024</u>	<u>2025</u>
PSF(CORP) Distribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$2,076	\$2,156	\$2,156
PSF(SBOE) Distribution	1,056	1,056	1,236	1,236	1,102	1,102	1,731	-	-	-
PSF(SLB) Distribution	-	-	-	300	600	600 ³	415	115	-	-
Per Student Distribution	215	212	247	306	347	341	432	440	430	428

¹ In millions of dollars. Source: Annual Report for year ended August 31, 2025.

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

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

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

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

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

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

PSF Corporation Strategic Asset Allocation

The PSFC Board sets the asset allocation policy for the Fund, including determining the available asset classes for investment and approving target percentages and ranges for allocation to each asset class, with the goal of delivering a long-term risk adjusted return through all economic and market environments. The IPS includes a combined asset allocation for all Fund assets and allows for the use of derivatives and other leverage. The IPS provides that the Fund’s investment objectives are as follows:

- Generate continuous distributions for the benefit of public schools in Texas;
- Maintain purchasing power, after spending, inflation, and student population growth, in order to maintain intergenerational equity with respect to distributions;
- Provide a maximum level of return consistent with prudent risk levels, while maintaining sufficient liquidity needed to support distributions and BGP obligations; and
- Strive to maintain a AAA credit rating, as assigned by a Nationally Recognized Securities Rating Organization.

The table below sets forth the current strategic asset allocation of the Fund that was adopted, effective January 1, 2026 (which is subject to change from time to time):

Asset Class	Target Allocation	Range¹
Cash Equivalent	3.0%	n/a
Core Bonds	9.0%	+/- 5.0%
Non-Core Bonds (High Yield)	3.0%	+/- 5.0%
Non-Core Bonds (Bank Loans)	3.0%	+/- 5.0%
Large Cap U.S. Equity	15.0%	+/- 5.0%
Small/Mid-Cap U.S. Equity	3.0%	+/- 5.0%
Non-U.S. Developed Equity	8.0%	+/- 5.0%
Absolute Return	6.0%	+/- 5.0%
Private Debt (Liquid Substitute)	9.5%	+/- 5.0%
Private Equity (Liquid Substitute)	20.0%	+/- 10.0%
Real Estate	10.5%	+/- 5.0%
Natural Resources	4.0%	+/- 5.0%
Infrastructure	6.0%	+/- 5.0%

¹ Range reflect threshold approved by the Board. Subtracted results will not go below zero.

The table below sets forth the comparative investments of the PSF for the fiscal years ending August 31, 2024 and 2025, as set forth in the Annual Report for the 2025 fiscal year. As of January 1, 2023, the assets of the PSF(SBOE) and the PSF(SLB) were generally combined (referred to herein as the PSF(CORP)) for investment management and accounting purposes.

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Comparative Investment Schedule – PSF(CORP)

Fair Value (in millions) August 31, 2025 and 2024

ASSET CLASS	August 31, 2025	August 31, 2024	Amount of Increase (Decrease)	Percent Change
EQUITY				
Domestic Small Cap	\$3,732.4	\$ 3,651.3	\$81.1	2.2%
Domestic Large Cap	<u>7,860.0</u>	<u>8,084.6</u>	<u>(224.6)</u>	<u>-2.7%</u>
Total Domestic Equity	11,592.4	11,735.9	(143.5)	-1.2%
International Equity	<u>5,093.7</u>	<u>4,131.1</u>	<u>962.6</u>	<u>23.3%</u>
TOTAL EQUITY	16,686.1	15,867.0	819.1	5.2%
FIXED INCOME				
Domestic Fixed Income	-	-	-	-
US Treasuries	-	-	-	-
Core Bonds	5,464.4	8,151.6	(2,687.2)	-33.0%
Bank Loans	3,908.4	2,564.1	1,344.3	52.4%
High Yield Bonds	1,569.2	2,699.5	(1,130.3)	-41.9%
Emerging Market Debt	-	-	-	-
TOTAL FIXED INCOME	10,942.0	13,415.2	(2,473.2)	-18.4%
ALTERNATIVE INVESTMENTS				
Absolute Return	3,247.4	3,106.0	141.4	4.6%
Real Estate	6,300.8	6,101.0	199.8	3.3%
Private Equity	12,170.5	8,958.8	3,211.7	35.9%
Emerging Manager Program	-	-	-	-
Real Return	-	-	-	-
Private Credit	3,884.3	2,257.9	1,626.4	72.0%
Real Assets	<u>5,525.2</u>	<u>4,648.1</u>	<u>877.1</u>	<u>18.9%</u>
TOT ALT INVESTMENTS	31,128.2	25,071.8	6,056.4	24.2%
UNALLOCATED CASH	<u>1,335.0</u>	<u>2,583.2</u>	<u>(1,248.2)</u>	<u>-48.3%</u>
TOTAL PSF(CORP) INVESTMENTS	\$ 60,091.3	\$ 56,937.2	\$ 3,154.1	5.5%

Source: Annual Report for year ended August 31, 2025.

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The table below sets forth the investments of the PSF(SLB) for the year ended August 31, 2025.

Investment Schedule - PSF(SLB)¹

	<u>Fair Value (in millions) August 31, 2025</u>
Investment Type	As of <u>8-31-25</u>
Investments in Real Assets	
Sovereign Lands	\$ 279.84
Discretionary Internal Investments	989.22
Other Lands	153.17
Minerals ^{(2), (3)}	<u>4,872.77</u> ⁽⁶⁾
Total Investments ⁽⁴⁾	\$6,294.99
Cash in State Treasury ⁽⁵⁾	575.70
Total Investments & Cash in State Treasury	\$ 6,870.70

¹ Unaudited figures from Table 5 in the FY 2025 Unaudited Annual Financial Report of the Texas General Land Office and Veterans Land Board.

² Historical Cost of investments at August 31, 2025 was: Sovereign Lands \$838,676.44; Discretionary Internal Investments \$830,739,719.64; Other Lands \$37,306,005.32; and Minerals \$13,437,552.03.

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

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

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

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

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

The School District Bond Guarantee Program

The School District Bond Guarantee Program requires an application be made by a school district to the Education Commissioner for a guarantee of its bonds. If the conditions for the School District Bond Guarantee Program are satisfied, the guarantee becomes effective upon approval of

the bonds by the Attorney General and remains in effect until the guaranteed bonds are paid or defeased, by a refunding or otherwise.

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

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

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

Generally, the regulations that govern the School District Bond Guarantee Program (the "SDBGP Rules") limit guarantees to certain types of notes and bonds, including, with respect to refunding

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

The Charter District Bond Guarantee Program

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

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

Pursuant to the CDBGP Rules, the Education Commissioner annually determines the ratio of charter district students to total public school students, for the 2026 fiscal year, the ratio is 8.17%. At February 23, 2026, there were 182 active open-enrollment charter schools in the State and there were 1,027 charter school campuses authorized under such charters, though as of such date, 41 of such campuses are not currently serving students for various reasons; therefore, there are 986 charter school campuses actively serving students in Texas. Section 12.101, Texas Education Code, limits the number of charters that the Education Commissioner may grant to a total number of 305 charters. While legislation limits the number of charters that may be granted, it does not limit the number of campuses that may operate under a particular charter. For information regarding the capacity of the Guarantee Program, see “Capacity Limits for the Guarantee Program.” The Act provides that the Education Commissioner may not approve the guarantee of refunding or refinanced bonds under the Charter District Bond Guarantee Program in a total amount that exceeds one-half of the total amount available for the guarantee of charter district bonds under the Charter District Bond Guarantee Program.

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

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

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

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

The CDBGP Rules provide that the PSF may be used to guarantee bonds issued for the acquisition, construction, repair, or renovation of an educational facility for an open-enrollment charter holder and equipping real property of an open-enrollment charter school and/or to refinance promissory notes executed by an open-enrollment charter school, each in an amount in excess of \$500,000 the proceeds of which loans were used for a purpose described above (so-called new money bonds) or for refinancing bonds previously issued for the charter school that were approved by the Attorney

General (so-called refunding bonds). Refunding bonds may not be guaranteed under the Charter District Bond Guarantee Program if they do not result in a present value savings to the charter holder.

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

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

Capacity Limits for the Guarantee Program

The capacity of the Fund to guarantee bonds under the Guarantee Program is limited to the lesser of that imposed by State law (the "State Capacity Limit") and that imposed by regulations and a

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

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

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

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

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

The IRS Notice changed the IRS Limit from a static limit to a dynamic limit for the Guarantee Program based upon the cost value of Fund assets, multiplied by five. As of December 31, 2025

the cost value of the Guarantee Program was \$51,913,224,643 (unaudited), thereby producing an IRS Limit of \$259,566,123,215 in principal amount of guaranteed bonds outstanding.

As of December 31, 2025, the estimated State Capacity Limit is \$181,696,286,251, which is lower than the IRS Limit, making the State Capacity Limit the current Capacity Limit for the Fund.

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

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

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

2017 Legislative Changes to the Charter District Bond Guarantee Program

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

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

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

Since the initial authorization of the Charter District Bond Guarantee Program, the Act has established a bond guarantee reserve fund in the State treasury (the “Charter District Reserve Fund”). Formerly, the Act provided that each charter district that has a bond guaranteed must annually remit to the Education Commissioner, for deposit in the Charter District Reserve Fund, an amount equal to 10% of the savings to the charter district that is a result of the lower interest rate on its bonds due to the guarantee by the PSF. SB 1480 modified the Act insofar as it pertains to the Charter District Reserve Fund. Effective September 1, 2017, the Act provides that a charter district that has a bond guaranteed must remit to the Education Commissioner, for deposit in the Charter District Reserve Fund, an amount equal to 20% of the savings to the charter district that is a result of the lower interest rate on the bond due to the guarantee by the PSF. The amount due shall be paid on receipt by the charter district of the bond proceeds. However, the deposit requirement will not apply if the balance of the Charter District Reserve Fund is at least equal to 3.00% of the total amount of outstanding guaranteed bonds issued by charter districts. At December 31, 2025, the Charter District Reserve Fund contained \$153,914,605, which represented approximately 2.61% of the guaranteed charter district bonds. The Reserve Fund is held and invested as a non-commingled fund under the administration of the PSF Corporation staff.

Charter District Risk Factors

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

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

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

As described above, the Act includes a funding "intercept" function that applies to both the School District Bond Guarantee Program and the Charter District Bond Guarantee Program. However, school districts are viewed as the "educator of last resort" for students residing in the geographical territory of the district, which makes it unlikely that State funding for those school districts would be discontinued, although the TEA can require the dissolution and merger into another school district if necessary to ensure sound education and financial management of a school district. That is not the case with a charter district, however, and open-enrollment charter schools in the State have been dissolved by TEA from time to time. If a charter district that has bonds outstanding that

are guaranteed by the Charter District Bond Guarantee Program should be dissolved, debt service on guaranteed bonds of the district would continue to be paid to bondholders in accordance with the Charter District Bond Guarantee Program, but there would be no funding available for reimbursement of the PSF by the Comptroller for such payments. As described under “The Charter District Bond Guarantee Program,” the Act established the Charter District Reserve Fund, to serve as a reimbursement resource for the PSF.

Ratings of Bonds Guaranteed Under the Guarantee Program

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

Valuation of the PSF and Guaranteed Bonds

Permanent School Fund Valuations		
Fiscal Year Ended 8/31	Book Value⁽¹⁾	Market Value⁽¹⁾
2021	38,699,895,545	55,582,252,097
2022	42,511,350,050	56,754,515,757
2023	43,915,792,841	59,020,536,667
2024	47,047,688,784	62,766,382,537
2025 ⁽²⁾	50,832,583,937	66,549,781,438

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

⁽²⁾ At August 31, 2025, mineral assets, sovereign lands, other lands, and discretionary internal investments, had book values of approximately \$13.4 million, \$0.8 million, \$37.3 million, and

\$830.7 million, respectively, and market values of approximately \$4,872.7 million, \$279.8 million, \$153.1 million, and \$989.2 million, respectively.

Permanent School Fund Guaranteed Bonds	
<u>At 8/31</u>	<u>Principal Amount⁽¹⁾</u>
2021	95,259,161,922
2022	103,239,495,929
2023	115,730,826,682
2024	125,815,981,603
2025	143,940,955,098 ⁽²⁾

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

⁽²⁾ At August 31, 2025 (the most recent date for which such data is available), the TEA expected that the principal and interest to be paid by school districts and charter districts over the remaining life of the bonds guaranteed by the Guarantee Program was \$230,761,751,555, of which \$86,820,796,457 represents interest to be paid. As shown in the table above, at August 31, 2025, there were \$143,940,955,098 in principal amount of bonds guaranteed under the Guarantee Program. Using the State Capacity Limit of \$181,696,286,251 (the State Capacity Limit is currently the Capacity Limit), net of the Capacity Reserve, as of December 31, 2025, 7.86% of the Guarantee Program's capacity was available to the Charter District Bond Guarantee Program. As of December 31, 2025, the amount of outstanding bond guarantees represented 79.16% of the Capacity Limit (which is currently the State Capacity Limit). December 31, 2025 values are based on unaudited data, which is subject to adjustment.

Permanent School Fund Guaranteed Bonds by Category⁽¹⁾

Fiscal Year Ended <u>8/31</u>	<u>School District Bonds</u>		<u>Charter District Bonds</u>		<u>Totals</u>	
	No. of <u>Issues</u>	Principal <u>Amount (\$)</u>	No. of <u>Issues</u>	Principal <u>Amount (\$)</u>	No. of <u>Issues</u>	Principal <u>Amount (\$)</u>
2021	3,346	91,951,175,922	83	3,307,986,000	3,429	95,259,161,922
2022	3,348	99,528,099,929	94	3,711,396,000	3,442	103,239,495,929
2023	3,339	111,647,914,682	102	4,082,912,000	3,441	115,730,826,682
2024	3,330	121,046,871,603	103	4,769,110,000	3,433	125,815,981,603
2025 ⁽²⁾	3,444	138,140,381,098	113	5,800,574,000	3,557	143,940,955,098

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

⁽²⁾ At December 31, 2025 (based on unaudited data, which is subject to adjustment), there were \$143,822,038,077 in principal amount of bonds guaranteed under the Guarantee Program, representing 3,456 school district issues, aggregating \$137,938,824,077 in principal amount and 114 charter district issues, aggregating \$5,883,214,000 in principal amount. At December 31, 2025

the projected guarantee capacity available was \$32,174,623,697 (based on unaudited data, which is subject to adjustment).

Discussion and Analysis Pertaining to Fiscal Year Ended August 31, 2025

The following discussion is derived from the Annual Report for the year ended August 31, 2025, including the Message from the Chief Executive Officer of the Fund, the Management's Discussion and Analysis, and other schedules contained therein. Reference is made to the Annual Report, as filed with the MSRB, for the complete Message and MD&A. Investment assets managed by the PSF Corporation are referred to throughout this MD&A as the PSF(CORP). The Fund's non-financial real assets are managed by the SLB and these assets are referred to throughout as the PSF(SLB) assets.

At the end of fiscal year 2025, the PSF(CORP) net position was \$60.6 billion. During the year, the PSF(CORP) continued updating and implementing the long-term strategic asset allocation, diversifying the investment mix to strengthen the Fund. The asset allocation aims to pursue the objectives of the Fund at an acceptable risk level. The PSF(CORP) is invested in global markets and liquid and illiquid assets experience volatility commensurate with the related indices. The PSF(CORP) is broadly diversified and benefits from the cost structure of its investment program. Changes continue to be researched, crafted, and implemented to make the cost structure more effective and efficient. The PSF(CORP) annual rates of return for the one-year, five-year, and ten-year periods ending August 31, 2025, net of fees, were 8.20%, 7.95%, and 7.40%, respectively (total return takes into consideration the change in the market value of the Fund during the year as well as the interest and dividend income generated by the Fund's investments). See "Comparative Investment Schedule - PSF(CORP)" for the PSF(CORP) holdings as of August 31, 2025.

Effective February 1, 2024, Texas PSF transitioned into a new strategic asset allocation. The new allocation of the PSF Corporation updated the strategic asset allocation among public equities, fixed income, and alternative assets, as discussed herein. Alternative assets now include private credit¹, absolute return, private equity, real estate, natural resources, and infrastructure. For a description of the accrual basis of accounting and more information about performance, including comparisons to established benchmarks for certain periods, please see the 2025 Annual Report which is included by reference herein.

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¹ The Private Credit asset class was renamed Private Debt, beginning in October 2024.

PSF Returns Fiscal Year Ended 8-31-2025¹

<u>Portfolio</u>	<u>Return</u>	<u>Benchmark Return²</u>
Total PSF(CORP) Portfolio	8.20	7.78
Domestic Large Cap Equities	14.50	15.88
Domestic Small/Mid Cap Equities	7.64	5.80
International Equities	16.16	14.89
Private Credit	6.87	9.26
Core Bonds	4.02	3.14
Absolute Return	14.98	6.90
Real Estate	0.14	0.97
Private Equity	8.17	8.61
High Yield	8.18	8.26
Natural Resources	2.31	0.39
Infrastructure	15.06	8.79
Bank Loans	7.76	7.36
Short Term Investment Portfolio	6.06	4.51

¹ Time weighted rates of return adjusted for cash flows for the PSF(CORP) investment assets. Does not include SLB managed real estate or real assets. Returns are net of fees. Source: Annual Report for year ended August 31, 2025.

² Benchmarks are as set forth in the Annual Report for year ended August 31, 2025.

The SLB is responsible for the investment of money in the Real Estate Special Fund Account (RESFA) of the PSF (also referred to herein as the PSF(SLB)). Pursuant to applicable law, money in the PSF(SLB) may be invested in land, mineral and royalty interest, and real property holdings. For more information regarding the investments of the PSF(SLB), please see the 2025 Unaudited Annual Financial Report of the Texas General Land Office and Veterans Land Board.

The Fund directly supports the public school system in the State by distributing a predetermined percentage of its asset value to the ASF. In fiscal year 2025, \$2.2 billion was distributed to the ASF, \$600 million of which was distributed by the PSF(CORP) on behalf of the SLB.

Other Events and Disclosures

State ethics laws govern the ethics and disclosure requirements for financial advisors and other service providers who advise certain State governmental entities, including the PSF. The SBOE code of ethics provides ethical standards for SBOE members, the Education Commissioner, TEA staff, and persons who provide services to the SBOE relating to the Fund. The PSF Corporation developed its own ethics policy that provides basic ethical principles, guidelines, and standards of conduct relating to the management and investment of the Fund in accordance with the requirements of §43.058 of the Texas Education Code, as amended. The SBOE code of ethics is codified in the Texas Administrative Code at 19 TAC sections 33.4 et seq. and is available on the

TEA web site at <https://tea.texas.gov/sites/default/files/ch033a.pdf>. The PSF Corporation's ethics policy is posted to the PSF Corporation's website at texaspsf.org.

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

As of August 31, 2025, certain lawsuits were pending against the State and/or the GLO, which challenge the Fund's title to certain real property and/or past or future mineral income from that property, and other litigation arising in the normal course of the investment activities of the PSF. Reference is made to the Annual Report, when filed, for a description of such lawsuits that are pending, which may represent contingent liabilities of the Fund.

PSF Continuing Disclosure Undertaking

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

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

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

Annual Reports

The PSF Corporation, on behalf of the TEA, and the TEA will annually provide certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the Guarantee Program and

the PSF of the general type included in this offering document under the heading “THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM.” The information also includes the Annual Report. The PSF Corporation will update and provide this information within six months after the end of each fiscal year.

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

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

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

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

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

Event Notices

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

by the TEA or the PSF Corporation to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information

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

Limitations and Amendments

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

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

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

are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling bonds guaranteed by the Guarantee Program in the primary offering of such bonds.

Compliance with Prior Undertakings

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

SEC Exemptive Relief

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