

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. The Bonds 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 the Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT

Dated August 6, 2026



NEW ISSUE - Book-Entry-Only

Enhanced/Unenhanced Ratings:

Moody's: "Aaa" / "Aa1"

PSF Guaranteed

(See "OTHER INFORMATION - Ratings" and "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and Appendix D – "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein.)

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

\$66,140,000*

COLLEGE STATION INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Brazos County)
UNLIMITED TAX SCHOOL BUILDING
AND REFUNDING BONDS, SERIES 2026

Dated Date: August 1, 2026

Due: August 15, as shown on page 2 hereof

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

PAYMENT TERMS . . . Interest on the \$66,140,000* College Station Independent School District Unlimited Tax School Building and Refunding Bonds, Series 2026 (the "Bonds") will accrue from their Date of Delivery (defined below) to the Underwriters (defined below), will be payable on February 15 and August 15 of each year, commencing February 15, 2027, and 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 denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the 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 "THE BONDS - Book-Entry-Only System" herein). The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas (see "THE BONDS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including Chapter 45, Texas Education Code, as amended, Chapter 1207, Texas Government Code, as amended ("Chapter 1207") and Chapter 1371, Texas Government Code, as amended ("Chapter 1371"), an election held in the College Station Independent School District (the "District") on November 7, 2023 (the "Election"), and an order approved by the District's Board of Trustees (the "Board") on July 21, 2026 (the "Order") (see "THE BONDS - Authority for Issuance"). In the Order, and as permitted by Chapter 1207 and Chapter 1371, the Board delegated to certain District officials the authority to execute an approval certificate (the "Approval Certificate") evidencing the final sale terms of the Bonds.

SECURITY . . . The Bonds are direct obligations of the District payable from a continuing direct annual ad valorem tax levied by the District, without legal limit as to rate or amount, on all taxable property within the District (see "THE BONDS - Security and Source of Payment"). **The District has received conditional approval from the Texas Education Agency for the payment of the Bonds to be guaranteed by the Permanent School Fund of Texas (see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and Appendix D – "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").**

PURPOSE . . . Proceeds from the sale of the Bonds will be utilized for the purposes of (i) acquiring, constructing, updating, renovating and equipping school facilities, (ii) security improvements, (iii) renovations at the district's central administration office, (iv) transportation and bus parking, (v) the purchase of necessary sites for school facilities and the purchase of school buses and vehicles, (vi) refunding certain maturities of the District's currently outstanding indebtedness as described in Schedule I hereto (the "Refunded Obligations") in order to achieve debt service savings, and (vii) paying the costs of issuance of the Bonds.

CUSIP PREFIX: 194475
MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 2

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the initial purchasers thereof named below (the "Underwriters") and subject to the approving opinion of the Attorney General of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel (see Appendix C, "FORM OF BOND COUNSEL'S OPINION"). Certain legal matters will be passed upon for the Underwriters by their counsel, Bracewell, LLP, Houston, Texas.

DELIVERY . . . It is expected that the Bonds will be available for delivery through DTC on or about Thursday, September 10, 2026 (the "Date of Delivery").

BOK FINANCIAL SECURITIES, INC.

MESIROW FINANCIAL, INC.

SAMCO CAPITAL

* Preliminary, subject to change.

MATURITY SCHEDULE*

CUSIP No. Prefix: 194475⁽¹⁾

\$66,140,000* Serial Bonds

Principal Amount	Stated Maturity (August 15)	Interest Rate	Initial Yield ⁽²⁾	CUSIP No. Suffix ⁽¹⁾	Principal Amount	Stated Maturity (August 15)	Interest Rate	Initial Yield ⁽²⁾	CUSIP No. Suffix ⁽¹⁾
\$ 4,365,000	2027				\$ 1,705,000	2040			
4,260,000	2028				1,790,000	2041			
4,480,000	2029				1,880,000	2042			
4,700,000	2030				1,975,000	2043			
5,055,000	2031				2,075,000	2044			
2,415,000	2032				2,175,000	2045			
1,210,000	2033				2,285,000	2046			
1,275,000	2034				2,400,000	2047			
1,335,000	2035				2,520,000	2048			
1,405,000	2036				2,645,000	2049			
5,065,000	2037				2,780,000	2050			
1,800,000	2038				2,920,000	2051			
1,625,000	2039								

(Interest accrues from the Date of Delivery)

REDEMPTION . . . The District reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, ____, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, ____, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. Any Term Bonds (defined herein) will also be subject to mandatory sinking fund redemption in accordance with the Order and will be described in the final Official Statement (see "THE BONDS - Redemption").

* Preliminary, subject to change.

- (1) 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 the 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, or the Underwriters are responsible for the selection or correctness of the CUSIP Numbers set forth herein.
- (2) The initial yields will be established by and are the sole responsibility of the Underwriters, and may subsequently be changed.

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USE OF INFORMATION

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

This Official Statement, which includes the cover page, the Appendices and Schedule I 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 information obtained from sources other than the District is not to be construed as the representation of the District. 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.

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

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

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

NONE OF THE DISTRICT, THE FINANCIAL ADVISOR, OR THE UNDERWRITERS MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM OR THE AFFAIRS OF THE TEXAS EDUCATION AGENCY ("TEA") DESCRIBED UNDER "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" AND APPENDIX D – "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" AS SUCH INFORMATION IS PROVIDED BY DTC AND TEA, RESPECTIVELY.

The agreements of the District and others related to the Bonds are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Bonds is to be construed as constituting an agreement with the purchasers of the Bonds. INVESTORS SHOULD READ THIS ENTIRE OFFICIAL STATEMENT, INCLUDING THE SCHEDULE AND ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

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

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, the Schedule, 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 College Station Independent School District (the “District”) is a political subdivision located in Brazos County, Texas. The District encompasses approximately 102.86 square miles in area (see “INTRODUCTION – Description of the District”).
- THE BONDS**..... The District is issuing its \$66,140,000* Unlimited Tax School Building and Refunding Bonds, Series 2026 (the “Bonds”). The Bonds mature on August 15 in each of the years and in the amounts and bear interest at the rates shown on page 2 hereof.
- PAYMENT OF INTEREST**..... Interest on the Bonds accrues from the Date of Delivery, defined on the cover page, to the Underwriters (anticipated to occur on or about September 10, 2026), and is payable initially on February 15, 2027 and on each August 15 and February 15 thereafter until stated maturity or prior redemption (see “THE BONDS – Description of the Bonds” and “THE BONDS – Redemption”).
- AUTHORITY FOR ISSUANCE**..... The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas (the “State”), including Chapter 45, Texas Education Code, as amended, Chapter 1207, Texas Government Code, as amended (“Chapter 1207”) and Chapter 1371, Texas Government Code, as amended (“Chapter 1371”), an election held in the District on November 7, 2023 (the “Election”), and an order approved by the District’s Board of Trustees (the “Board”) on July 21, 2026 (the “Order”) (see “THE BONDS - Authority for Issuance”). In the Order, and as permitted by Chapter 1207 and Chapter 1371, the Board delegated to certain District officials the authority to execute an approval certificate (the “Approval Certificate”) evidencing the final sale terms of the Bonds.
- SECURITY FOR THE BONDS**..... The Bonds constitute direct obligations of the District payable from a continuing direct annual ad valorem tax levied by the District, without legal limit as to rate or amount, on all taxable property within the District (see “THE BONDS - Security and Source of Payment”).
- PERMANENT SCHOOL FUND**
- GUARANTEE**..... The District has received conditional approval from the Texas Education Agency (the “TEA”) for the payment of the Bonds to be guaranteed by the corpus of the Permanent School Fund of the State of Texas upon satisfaction of certain conditions (primarily being the Texas Attorney General’s approval of the Bonds) (see “THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” and Appendix D – “THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM”).
- REDEMPTION**..... The District reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, ____, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, ____, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. Any Term Bonds will also be subject to mandatory sinking fund redemption in accordance with the Order and will be described in the final Official Statement (see “THE BONDS - Redemption”).
- TAX EXEMPTION**..... In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel for the District, interest on the Bonds is excludable from gross income for federal income tax purposes under statutes, regulations, published rulings, and court decisions existing on the date thereof, subject to the matters described under “TAX MATTERS” herein (see “TAX MATTERS” and “APPENDIX C – Form of Bond Counsel’s Opinion”).
- USE OF PROCEEDS**..... Proceeds from the sale of the Bonds will be utilized for (i) acquiring, constructing, updating, renovating and equipping school facilities, (ii) security improvements, (iii) renovations at the district’s central administration office, (iv) transportation and bus parking, (v) the purchase of necessary sites for school facilities and the purchase of school buses and vehicles, (vi) refunding certain maturities of the District’s currently outstanding indebtedness as described in Schedule I hereto (the “Refunded Obligations”) in order to achieve debt service savings, and (vii) paying the costs of issuance of the Bonds.

* Preliminary, subject to change.

RATINGS The Bonds have been rated “Aaa” by Moody’s Investor Service, Inc. (“Moody’s”) by virtue of the guarantee of the Permanent School Fund of the State of Texas (see “THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM”). The presently outstanding unenhanced tax-supported debt of the District is rated “Aa1” by Moody’s. The District has determined to not apply to Fitch Ratings, Inc. (“Fitch”) or S&P Global Ratings (“S&P”) for ratings on these Bonds. The District also has three issues outstanding which are rated “Aaa” by Moody’s, “AAA” by Fitch, and “AAA” by S&P, one issue outstanding which is rated “Aaa” by Moody’s and “AAA” by S&P, two issues outstanding which are rated “AAA” by S&P, and three issues outstanding which are rated “Aaa” by Moody’s, all by virtue of the guarantee of the Permanent School Fund of the State of Texas. The District has received conditional approval from the TEA for the Bonds to be guaranteed by the corpus of the Permanent School Fund (see “THE BONDS – Permanent School Fund Guarantee”). A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

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. Beneficial ownership of the Bonds may be acquired in 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 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 “THE BONDS - Book-Entry-Only System”).

PAYMENT RECORD The District has never defaulted on the payment of its general obligation tax-supported debt.

DELIVERY When issued, anticipated on or about Thursday, September 10, 2026.

LEGALITY The Bonds are subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. See “APPENDIX C – Form of Bond Counsel’s Opinion.”

* Preliminary, subject to change.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended ⁽¹⁾	Estimated District Population ⁽²⁾	Taxable Assessed Valuation ⁽³⁾	Per Capita Taxable Assessed Valuation	Tax Supported Debt	Per Capita Tax Supported Debt	Supported Debt to Taxable Assessed Valuation	% of Total Tax Collections
2022	125,488	\$ 11,279,167,380	\$ 89,882	\$ 343,110,000	\$ 2,734	3.04%	99.52%
2023	126,106	12,610,518,122	99,999	324,710,000	2,575	2.57%	99.17%
2024	125,979	13,870,954,479	110,105	393,685,000	3,125	2.84%	98.92%
2025	125,046	14,746,165,690	117,926	538,410,000	4,306	3.65%	94.02%
2026	122,459	16,204,471,203	132,326	509,925,000	4,164	3.15%	97.96% ⁽⁴⁾

(1) The District’s fiscal year end changed from August 31 to June 30, effective June 30, 2025.

(2) Source: Municipal Advisory Council of Texas.

(3) Source: District Annual Comprehensive Financial Reports for years ending 2022 through 2025, and Brazos Central Appraisal District’s Certified Totals for Tax Year 2025, subject to change during the ensuing year.

(4) As of June 30, 2026. Unaudited.

CHANGES IN NET ASSETS CONSOLIDATED STATEMENT SUMMARY

	Ten Months Ended June 30,	Fiscal Year Ended August 31,			
	2025 ⁽¹⁾	2024	2023	2022	2021
Beginning Net Position	\$ 74,617,493	\$ 62,400,621	\$ 47,850,405	\$ 44,797,458	\$ 43,664,918
Total Revenue	208,912,860	221,109,580	205,117,268	176,776,626	180,072,687
Total Expenses	(179,940,067)	(208,892,708)	(190,567,052)	(173,723,679)	(178,940,147)
Prior Period Adjustment	(12,918,234) ⁽²⁾	-	-	-	-
Ending Net Position	<u>\$ 90,672,052</u>	<u>\$ 74,617,493</u>	<u>\$ 62,400,621</u>	<u>\$ 47,850,405</u>	<u>\$ 44,797,458</u>

(1) The District's fiscal year end changed from August 31 to June 30, effective June 30, 2025.

(2) Restated due to a change in accounting principles for the adoption of GASB 101.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	Ten Months Ended June 30,	For Fiscal Year Ended August 31,			
	2025 ⁽¹⁾	2024	2023	2022	2021
Beginning Balance	\$ 43,905,922	\$ 39,162,307	\$ 34,080,323	\$ 34,655,118	\$ 36,130,171
Total Revenue	145,231,498	151,985,026	145,402,482	129,970,487	126,216,750
Total Expenditures	130,606,852	149,681,612	140,061,372	128,880,711	126,651,833
Net Funds Available	14,624,646	2,303,414	5,341,110	1,089,776	(435,083)
Other Sources/Uses	(348,610)	2,440,201	(259,126)	(1,664,571)	(1,039,970)
Extraordinary Item	-	-	-	-	-
Ending Balance	<u>\$ 58,181,958</u>	<u>\$ 43,905,922</u>	<u>\$ 39,162,307</u>	<u>\$ 34,080,323</u>	<u>\$ 34,655,118</u>

(1) The District's fiscal year end changed from August 31 to June 30, effective June 30, 2025.

For additional information regarding the District, please contact:

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DISTRICT OFFICIALS, STAFF AND CONSULTANTS

THE BOARD OF TRUSTEES

<u>Board of Trustees</u>	<u>Length of Service</u>	<u>Term Expires</u>	<u>Occupation</u>
Kim Ege President, Place 6	2 Years	November 2026	Stay Home Mom
Heather Simmen Vice President, Place 7	2 Years	November 2026	Business Owner
Kristin Wilson Secretary, Place 2	1 Year	November 2027	Realtor
Darin Paine Trustee, Place 1	4 Years	November 2027	Asst Professor/US Air Force
Chris Field Trustee, Place 3	7 Months	November 2028	Entrepreneur
Mike Martindale Trustee, Place 4	7 Months	November 2028	Retired Educator
Kimberly McAdams Trustee, Place 5	6 Years	November 2028	Engineering Consultant

APPOINTED OFFICIALS

ADMINISTRATIVE OFFICERS POSITION

Superintendent

Dr. Tim Harkrider.....Superintendent of Schools

Executive Leadership Team

Ms. Heather Wilson, RTSBAChief Financial Officer
Mr. Chase Roberts.Director of Business Services

CONSULTANTS AND ADVISORS

Auditors Weaver and Tidwell, L.L.P.
Conroe, Texas

Bond Counsel McCall, Parkhurst & Horton L.L.P.
Dallas, Texas

Financial Advisor.....Hilltop Securities Inc.
San Antonio, Texas

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PRELIMINARY OFFICIAL STATEMENT

RELATING TO

\$66,140,000*

**COLLEGE STATION INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Brazos County)
UNLIMITED TAX SCHOOL BUILDING AND REFUNDING
BONDS, SERIES 2026**

INTRODUCTION

This Official Statement, the Schedule, and the Appendices hereto, provides certain information pertaining to the \$66,140,000* College Station Independent School District Unlimited Tax School Building and Refunding Bonds, Series 2026 (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Order (defined herein), except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Bonds and certain information regarding the College Station Independent School District (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 from the District's Financial Advisor, Hilltop Securities Inc. ("HilltopSecurities"), San Antonio, Texas upon request by electronic mail or upon payment of reasonable copying, handling, and delivery 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 ("EMMA") system. 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 Brazos County, Texas. The District is governed by a seven-member Board of Trustees (the "Board") who serve staggered three-year terms with elections being held in November of each year. Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent who is the chief administrative officer of the District. Support services are supplied by consultants and advisors. The District covers approximately 102.86 square miles in Brazos County.

PLAN OF FINANCING

USE OF BOND PROCEEDS . . . Proceeds from the sale of the Bonds will be utilized for the purposes of (i) acquiring, constructing, updating, renovating and equipping school facilities, (ii) security improvements, (iii) renovations at the district's central administration office, (iv) transportation and bus parking, (v) the purchase of necessary sites for school facilities and the purchase of school buses and vehicles, (vi) refunding certain maturities of the District's currently outstanding indebtedness as described in Schedule I hereto (the "Refunded Obligations") in order to achieve debt service savings, and (vii) paying the costs of issuance of the Bonds.

REFUNDED OBLIGATIONS . . . The Order provides that from a portion of the proceeds of the sale of the Bonds, the District will deposit with BOKF, NA, Dallas, Texas, the escrow agent for the Refunded Obligations (the "Escrow Agent"), pursuant to an Escrow Agreement between the District and the Escrow Agent, an amount, together with other lawfully available funds of the District, if required, which will be sufficient to accomplish the discharge and final payment of the Refunded Obligations on their redemption date (the "Redemption Date") as shown on Schedule I hereto. Such funds will be held by the Escrow Agent in an escrow account (the "Escrow Fund") and used to purchase direct noncallable obligations of the United States of America, (the "Escrow Securities"). Such maturing principal of and interest on the Escrow Securities will not be available to pay the Bonds.

At the time of issuance of the Bonds, the District will give irrevocable instructions to provide notice to the owners of the Refunded Obligations that the Refunded Obligations will be redeemed prior to stated maturity on which date money will be made available to redeem the Refunded Obligations from money held under the Escrow Agreement.

Public Finance Partners LLC will verify at the time of delivery of the Bonds to the Underwriters thereof the mathematical accuracy of the schedules that demonstrate the Escrow Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Refunded Obligations. Such maturing principal of and interest on the Escrow Securities will not be available to pay the Bonds (see "OTHER INFORMATION - Verification of Mathematical Computations").

* Preliminary, subject to change.

By the deposit of the Escrow Securities and cash, if necessary, with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of all of the Refunded Obligations in accordance with the law. It is the opinion of Bond Counsel that as a result of such defeasance and in reliance upon the report of Public Finance Partners LLC, the Refunded Obligations will be outstanding only for the purpose of receiving payments from the Escrow Securities and any cash held for such purpose by the Escrow Agent and such Refunded Obligations will not be deemed as being outstanding obligations of the District payable from taxes nor for the purpose of applying any limitation on the issuance of debt.

The District has covenanted in the Escrow Agreement to make timely deposits to the Escrow Fund, from lawfully available funds, of any additional amounts required to pay the principal of and interest on the Refunded Obligations, if for any reason, the cash balances on deposit or scheduled to be on deposit in the Escrow Fund be insufficient to make such payment.

Upon defeasance of the Refunded Obligations, the payment of such Refunded Obligations will no longer be guaranteed by the Permanent School Fund.

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds are dated August 1, 2026 and mature on August 15 in each of the years and in the principal amounts shown in the table appearing on page 2 hereof. Interest on the Bonds will accrue from the Date of Delivery (expected to occur on or about September 10, 2026), will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15 and August 15 of each year, commencing February 15, 2027 until stated maturity or prior redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 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 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 “THE BONDS - Book-Entry-Only System” herein).

AUTHORITY FOR ISSUANCE . . . The Bonds are issued and the tax levied for their payment pursuant to authority conferred by the Constitution and the laws of the State of Texas, including Chapter 45, Texas Education Code, as amended, Chapter 1207 and Chapter 1371, Texas Government Code, as amended (respectively, “Chapter 1207” and “Chapter 1371”), an election held on November 7, 2023 (the “Election”), and an order (the “Order”) adopted by the Board on July 21, 2026. In the Order, and as permitted by Chapter 1207 and Chapter 1371, the Board delegated to certain District officials the ability to execute an approval certificate (the “Approval Certificate”) evidencing final sale terms of the Bonds.

SECURITY AND SOURCE OF PAYMENT . . . All taxable property within the District is subject to a continuing direct annual ad valorem tax levied by the District, without legal limit as to rate or amount, sufficient to provide for the payment of principal of and interest on the Bonds (see “TAX RATE LIMITATIONS” herein).

PERMANENT SCHOOL FUND GUARANTEE . . . In connection with the sale of the Bonds, the District has received from the Texas Education Agency (the “TEA”) conditional approval for guarantee of the Bonds under the Permanent School Fund Guarantee Program (Chapter 45, Subchapter C, of the Texas Education Code). Subject to satisfying certain conditions discussed in Appendix D – “THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM”, the Bonds will be absolutely and unconditionally 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 corpus of the Permanent School Fund.

PURPOSE . . . Proceeds from the sale of the Bonds will be utilized for the purposes of (i) acquiring, constructing, updating, renovating and equipping school facilities, (ii) security improvements, (iii) renovations at the district’s central administration office, (iv) transportation and bus parking, (v) the purchase of necessary sites for school facilities and the purchase of school buses and vehicles, (vi) refunding certain maturities of the District’s currently outstanding indebtedness as described in Schedule I hereto (the “Refunded Obligations”) in order to achieve debt service savings, and (vii) paying the costs of issuance of the Bonds.

TAX RATE LIMITATION . . . For debt service of unlimited tax debt, including the Bonds, there is no limitation on the tax rate (Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended); provided, however, with respect to “new debt”, the District must demonstrate to the Attorney General of Texas the ability to pay all such “new debt” with a debt service tax not to exceed \$0.50 per \$100 assessed valuation in compliance with Section 45.0031, Texas Education Code, as amended. The Bonds are issued in part as school building bonds and the new money portion of the Bonds is subject to the 50-cent Test. For a more detailed description of the \$0.50 test, and the exceptions therefrom (see “TAX RATE LIMITATIONS” herein).

REDEMPTION . . . The District reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, ____, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, ____, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If two or more consecutive serial maturities of Bonds are grouped into a single maturity (the “Term Bonds”) by the Underwriters, such Term Bonds will also be subject to mandatory sinking fund redemption in accordance with applicable provisions of the Order. The Official Statement will be updated to reflect payment terms of any Term Bonds.

SELECTION OF BONDS FOR REDEMPTION . . . If less than all of the Bonds are to be redeemed, the District may select the maturities of Bonds to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or

DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to a redemption date for the Bonds, the District shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. 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 HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

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

AMENDMENTS . . . The District may amend the Order without the consent of any bondholder to (i) cure any ambiguity, defect or omission in the Order that does not materially adversely affect the interests of the bondholders, (ii) grant additional rights or security for the benefit of the bondholders, (iii) add events of default that are consistent with the provisions of the Order and that do not materially adversely affect the interests of the bondholders, (iv) qualify the Order under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws, or (v) make such other provisions that are consistent with the provisions of the Order and that do not, in the opinion of Bond Counsel, materially adversely affect the bondholders.

Bondholders owning bonds aggregating in a majority of the principal amount of then outstanding Bonds that are the subject of a proposed amendment shall have the right to approve any amendment to the Order that may be deemed necessary or desirable by the District; provided, however, the consent of the bondholders of 100% of the aggregate principal amount of then outstanding Bonds shall be required in order to amend the Order or the Bonds so as to: (i) make any change in the maturity of any of the outstanding Bonds; (ii) reduce the rate of interest borne by any of the outstanding Bonds; (iii) reduce the amount of the principal payable on any outstanding Bonds; (iv) modify the terms of payment of principal or of interest on outstanding Bonds or any of them or impose any condition with respect to such payment; or (v) change the minimum percentage of the principal amount of the Bonds necessary for consent to such amendment. If at any time the District amends the Order, the District shall send by U.S. mail to each bondholder of the affected Bonds a copy of the proposed amendment and state whether consent of the bondholders is or is not required for such proposed amendment.

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

investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used for defeasance purposes or that for any other Defeasance Security will be maintained at any particular rating category.

In connection with the pricing of the Bonds, the District may limit the above categories of Defeasance Securities upon request.

Upon such deposit as described above, such Bonds will no longer be regarded to be outstanding obligations for purposes of applying any limitation on indebtedness or for purposes of taxation. 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's right to redeem Bonds defeased to stated maturity is not extinguished if the District has reserved the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption, at an earlier date, those Bonds which have been defeased to their stated 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 cancel the Permanent School Fund Guarantee with respect to those defeased Bonds.

BOOK-ENTRY-ONLY SYSTEM . . . *This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and accreted 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, Underwriters, and Financial Advisor believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.*

The District, the Financial Advisor 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 (defined herein), (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 (defined herein), 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 securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered certificate will be issued for each stated maturity of the Bonds in the aggregate principal amount of each such maturity and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, 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" and, together with the Direct Participants, the "DTC Participants"). DTC has a S&P Global Ratings rating of "AA+". The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 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. will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

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

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

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

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. In the Order, the District retains the right to replace the Paying Agent/Registrar. The District has covenanted to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District has agreed to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

In the event the Book-Entry-Only System should be discontinued, interest on the Bonds will be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest will be paid (i) by check sent United States mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Bonds will be paid to the registered owner at the stated maturity or earlier redemption upon presentation to the designated payment/transfer office of the Paying Agent/Registrar. If the date for the payment of the principal of or interest on the Bonds is a Saturday, Sunday, a legal holiday or a day when banking institutions are authorized to close, then the date for such payment will be the next succeeding day which is not such a day, and payment on such date will have the same force and effect as if made on the date payment was due. So long as Cede & Co. is the registered owner of the Bonds, payments of principal of and interest on the Bonds will be made as described in "THE BONDS - Book-Entry-Only System," above.

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 shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, 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 its designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer (see "THE BONDS - 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 person to whom the interest on the Bonds is payable on any interest payment date means the close of business on the last business day of the month immediately preceding such Interest Payment Date.

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

BONDHOLDERS' REMEDIES . . . If the District defaults in the payment of principal or interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Order, and the State fails to honor the Permanent School Fund Guarantee as hereinafter discussed, the registered owners may seek a writ of mandamus to compel District officials to carry out their legally imposed duties with respect to the Bonds, if there is no other available remedy at law to compel performance of the Bonds or Order and the District's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The 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. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Chapter 1371, which pertains to the issuance of public securities by issuers such as the District, permits the District to waive sovereign immunity in the proceedings authorizing 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 – Authority 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 United States Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source

of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it (see “THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” and Appendix D – “THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” herein for a description of the procedures to be followed for payment of the Bonds by the Permanent School Fund in the event the District fails to make a payment on the Bonds when due). The opinion of Bond Counsel will 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 general principles of equity that permit the exercise of judicial discretion.

SOURCES AND USES OF FUNDS . . . The proceeds from the sale of the Bonds will be applied approximately as follows:

Sources of Funds:	
Principal Amount of Bonds	
[Net] Premium	
Total Sources of Funds	<u>\$ -</u>
Uses of Funds:	
Deposit to the Construction Fund	
Deposit to the Escrow Fund	
Underwriters' Discount	
Cost of Issuance and Contingency ⁽¹⁾	
Total Uses of Funds	<u>\$ -</u>

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

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

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

On May 13, 2016, the Court issued its opinion in, *Morath v. The Texas Taxpayer & Student Fairness Coal.*, 490 S.W.3d 826 (Tex. 2016) (“*Morath I*”). 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.

CURRENT LITIGATION RELATING TO THE TEXAS PUBLIC SCHOOL FINANCE SYSTEM . . . On July 22, 2026, Midland Independent School District filed a suit in a district court of Travis County, Texas, styled Midland Independent School District, et al. v. Mike Morath, Commissioner of Education, et al. (Cause No. TBD), against Mike Morath, in his official capacity as Commissioner of Education, and the State of Texas (“Morath II”). The suit is an original action for declaratory judgment and challenges the constitutionality of the Finance System.

The District is not a party to the Morath II litigation. The District can make no representations or predictions concerning the outcome of this litigation, how the Legislature may respond to such litigation, or the effect, if any, that this litigation or future legislation may have on the Finance System, or on the District’s financial condition, revenues, or operations. See “CURRENT PUBLIC SCHOOL FINANCE SYSTEM” and “TAX RATE LIMITATIONS” herein.

POSSIBLE EFFECTS OF CHANGES IN LAW ON DISTRICT BONDS . . . The Court’s decision in Morath I upheld the constitutionality of the Finance System but noted that the Finance System was “undeniably imperfect”. While not compelled by the Morath I 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 Morath II or any future legislation, or any litigation that may be associated with such legislation, on the District’s financial condition, revenues or operations. While the enactment of future legislation to address school funding in Texas could adversely affect the financial condition, revenues or operations of the District, the District does not anticipate that the security for payment of the Bonds, specifically, the District’s obligation to levy an unlimited debt service tax and any Permanent School Fund guarantee of the Bonds would be adversely affected by any such legislation. See “CURRENT PUBLIC SCHOOL FINANCE SYSTEM.”

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

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

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

2025 LEGISLATIVE SESSION . . . The regular session of the 89th Texas Legislature commenced on January 14, 2025 and concluded on June 2, 2025 (the “89th Regular Session”). The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor of Texas (the “Governor”) may call one or more special sessions, at the Governor’s discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. 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 (any such special sessions, collectively with the 89th Regular Session, are referred to herein as the “2025 Legislative Sessions”).

During the 89th Regular Session, the Legislature considered a general appropriations act and legislation affecting the Finance System and ad valorem taxation procedures and exemptions, and investments, among other legislation affecting school districts and the administrative agencies that oversee school districts. Pursuant to voter approval at a Statewide election held on November 4, 2025, legislation passed by both houses of the Legislature and signed by the Governor increased: (1) the State mandated general homestead exemption of the appraised value for all homesteads from \$100,000 to \$140,000, (2) the additional exemption on the residence homesteads of those at least sixty-five (65) years of age or older and the disabled from \$10,000 to \$60,000, and (3) effective January 1, 2026, the exemption for tangible personal property used in the “production of income” from \$2,500 to \$125,000. Additionally, both houses of the Legislature passed and the Governor signed legislation that would authorize roughly \$8.5 billion in funding for public schools and would provide districts with a \$55 per-student increase to their base funding, as

well as provide districts with additional funding for teacher and staff salaries, educator preparation, special education, safety requirements and early childhood learning. Finally, legislation passed by the Legislature and signed into law by the Governor created an education savings account program (commonly referred to as vouchers) for students that attend private schools or home school. The legislation became effective September 1, 2025, when the State fiscal biennium began, though families will not receive ESA funds until the 2026-2027 school year. The amount spent for purposes of the program for the 2025-2027 biennium may not exceed \$1 billion. Beginning on September 1, 2027, the legislation requires the Legislature to reappropriate funds for the program for each subsequent State fiscal biennium. Such program could impact attendance in the District by incentivizing students to homeschool or attend private schools, which could negatively affect the District's attendance based funding. The District is still in the process of reviewing legislation passed during the 2025 Legislative Sessions and cannot make any representations as to the full impact of such legislation.

Additional special sessions may be called by the Governor. During such time, the Legislature may enact laws that materially change current law as it relates to funding public school, including the District and its finances. The District can make no representations or predictions regarding the scope of legislation that may be considered in the 2025 Legislative Sessions or future session of the Legislature, or the potential impact of such legislation, but it intends to monitor applicable legislation related thereto.

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

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

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

In calculating and making available school districts' MCRs for the 2025-2026 school year, the TEA calculated and made available the rates as if the increase in the residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, as proposed by the 89th Legislature, Regular Session, 2025, took effect. Such calculation for the 2025-2026 school year expires September 1, 2026. Pursuant to voter approval at a Statewide election held on November 4, 2025, the residential homestead exemption under Section 1-b(c), Article VIII, Texas Constitution increased (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 take effect for the tax year beginning January 1, 2025.

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

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

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

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 discussed herein), and in some instances is required to be used for that purpose (see “TAX RATE LIMITATIONS - I&S Tax Rate Limitations”), Tier Two funding may not be used for the payment of debt service or capital outlay.

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

Tier One and Tier Two allotments represent the State’s share of the cost of M&O expenses of school districts, with local M&O taxes representing the school district’s local share. EDA and IFA allotments supplement a school district’s local I&S taxes levied for debt service on eligible bonds issued to construct, acquire and improve facilities, provided that a school district qualifies for such funding and that the 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”) for each student in “Average Daily Attendance” (being generally calculated as the sum of student attendance, other than students in average daily attendance who do not reside in the district and are enrolled in a full-time virtual program, for each State-mandated day of instruction divided by the number of State-mandated 20 days of instruction, defined herein as “ADA”). The Basic Allotment is revised downward if a school district’s Tier One Tax Rate is less than the State-determined threshold. The Basic Allotment is supplemented by additional State funds, allotted based upon the unique school district characteristics, the demographics of students in ADA, and the education programs the students are 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, (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 compensation incentive allotment to increase teacher 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 weight changes to 0.48 for districts in the top 40% of school districts for growth, 0.33 for districts in the middle 30% of school districts for growth and 0.18 for districts in the bottom 30% of school districts for growth. The fast growth allotment is limited to \$320 million for each year of the 2026-2027 state fiscal biennium.

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

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

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

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

For the 2026-2027 school year, school districts will be held harmless and entitled to additional state aid to the extent that state and local revenue used to service eligible debt is less than the state and local revenue that would have been available to the district under state law providing for state aid to districts to account for increases in the general residence homestead exemption and the elderly or disabled tax ceiling 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, Chapter 49 school districts are generally subject to a process known as "recapture", which requires a Chapter 49 school district to exercise certain options to remit local M&O tax revenues collected in excess of the Chapter 49 school district's funding entitlements to the State (for redistribution to other school

districts) or otherwise expending the respective M&O tax revenues for the benefit of students in school districts that are not Chapter 49 school districts, as described in the subcaption “Options for Local Revenue Levels in Excess of Entitlement”. Chapter 49 school districts receive their allocable share of funds distributed from the constitutionally-prescribed Available School Fund, but are generally not eligible to receive State aid under the Foundation School Program (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 Legislature each fiscal biennium. Therefore, school districts are now guaranteed that recapture will not reduce revenue below their statutory entitlement.

Options for Local Revenue Levels in Excess of Entitlement. Under Chapter 49, a school district has six options to reduce local revenues to a level that does not exceed the school district’s respective entitlements: (1) a school district may consolidate by agreement with one or more school districts to form a consolidated school district; all property and debt of the consolidating school districts vest in the consolidated school district; (2) a school district may detach property from its territory for annexation by a property-poor school district; (3) a school district may purchase attendance credits from the State; (4) a school district may contract to educate nonresident students from a property-poor school district by sending money directly to one or more property-poor school districts; (5) a school district may execute an agreement to provide students of one or more other school districts with career and technology education through a program designated as an area program for career and technology education; or (6) a school district may consolidate by agreement with one or more school districts to form a consolidated taxing school district solely to levy and distribute either M&O taxes or both M&O taxes and I&S taxes. A Chapter 49 school district may also exercise any combination of these remedies. Options (3), (4) and (6) require prior approval by the Chapter 49 school district’s voters.

A district that enters into an agreement to exercise an option to reduce the district’s local revenue level in excess of entitlement under options (3), (4), or (5) for the 2025-2026 school year and that has not previously held an election to exercise said options may request and may receive approval from the Commissioner to delay the date of the election otherwise required to be ordered before September 1. The Commissioner shall set a date by which each district that receives approval to delay an election must order the election and requires the Commissioner, not later than the 2026-2027 school year, to order detachment and annexation of district property or consolidation as necessary to reduce the district’s excess local revenue to the level established by law for a district that receives approval to delay an election and subsequently fails to hold the election or does not receive voter approval at the election. A district that receives approval of a request to delay the date of an election shall pay for credit purchased in equal monthly payments as determined by the Commissioner beginning March 15, 2026, and ending August 15, 2026. Alternatively, the district may pay for credit purchased with one lump sum payment made not later than August 15, 2026, provided that the district notifies the Commissioner of the district’s election to pay through a lump sum not later than March 15, 2026.

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

THE SCHOOL FINANCE SYSTEM AS APPLIED TO THE COLLEGE STATION INDEPENDENT SCHOOL DISTRICT

The District’s wealth per student for the 2025-2026 school year is more than the equalized wealth value. Accordingly, the District has been required to exercise one of the permitted wealth equalization options. As a district with wealth per student in excess of the equalized wealth value, the qualified voters of the District, at an election held on September 1, 2001 authorized the District to enter into agreements with the Commissioner of Education to purchase attendance credits and to contract with other school districts for the education of non-resident students. Agreements between the District and other school districts for the education of non-resident students is valid for one school year, but may be renewed annually. The education of non-resident students for the 2025-2026 school year has been approved by the Texas Education Agency pursuant to a letter dated November 21, 2025. For the year ended August 31, 2026, the District paid the State \$0 to purchase attendance credits to equalize its wealth.

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

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

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.

WEATHER EVENTS

The District is located in south central Texas. Land located in this area is susceptible to hurricanes, tropical storms, high winds, tornadoes, fires and arid conditions. If a future weather event significantly damages all or part of the properties comprising the tax base within the District, the assessed value of property within the District could be substantially reduced, which could result in a decrease in tax revenue and/or necessitate an increase in the District’s tax rate. Under certain conditions, Texas law allows independent school districts to increase property tax rates without voter approval upon the occurrence of certain disasters such as a hurricane, tornado, flooding or extreme drought and upon gubernatorial or presidential declaration of disaster. There can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will carry flood insurance or the appropriate, applicable other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds or that insurance proceeds will be used to rebuild or repay any damaged improvements within the District or be sufficient for such purposes. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District could be adversely affected.

AD VALOREM PROPERTY TAXATION

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. 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 Brazos Central Appraisal District (the “Appraisal District”). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

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

Through December 31, 2026, an appraisal district is prohibited from increasing the appraised value of real property during the 2026 tax year on certain non-homestead properties (the “Subjected Property”) whose appraised values are not more than \$5.32 million dollars (the “maximum property value”) to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. The maximum property value may be increased or decreased by the product of the preceding state fiscal year’s increase or decrease in the consumer price index, as applicable, to the maximum property value.

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

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

STATE MANDATED HOMESTEAD EXEMPTIONS. . . State law grants, with respect to each school district in the State, (1) a \$140,000 exemption (as described below) of the appraised value of all homesteads, (2) a \$60,000 exemption of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled, and (3) various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty. See “CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 Legislative Sessions” herein for a discussion of the increase in the general State mandated homestead exemption from \$100,000 to \$140,000 and the increase in the State mandated homestead exemption of persons sixty-five (65) years of age or older and the disabled from \$10,000 to \$60,000.

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

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

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

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 State Legislature and signed by the Governor during the 89th Regular Session provides a person to an exemption from taxation by a taxing unit of \$125,000 of the appraised value of tangible personal property the person owns that is held or used for the production of income and has taxable situs at the same location in the taxing unit (or, if the person leases such property, 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 without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days (“Goods-in-Transit”), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer’s motor vehicle, boat, or heavy equipment inventory.

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

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

TEMPORARY EXEMPTION FOR QUALIFIED PROPERTY DAMAGED BY A DISASTER . . . The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii)

manufactured homes located in an area declared by the Governor to be a disaster area following a disaster and is at least 15 percent physically damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. 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 Tax Code, as amended.

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

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

TAX LIMITATION AGREEMENTS. . . The Texas Economic Development Act (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.

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 tax year and is adjusted annually by the State Comptroller to reflect the inflation rate.

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

LEVY AND COLLECTION OF TAXES. . . The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the District may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances. The Property Tax Code permits taxpayers owning homes or certain businesses located in a disaster area and damaged as a direct result of the declared disaster to pay taxes imposed in the year following the disaster in four equal installments without penalty or interest, commencing on February 1 and ending on August 1. See “AD VALOREM PROPERTY TAXATION - Temporary Exemption for Qualified Property Damaged by a Disaster” for further information related to a discussion of the applicability of this section of the Property Tax Code.

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

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

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

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

TAX RATE LIMITATIONS

M&O TAX RATE LIMITATIONS. . . A school district is authorized to levy maintenance and operation taxes (“M&O tax rate”) 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, approved at an election held on November 17, 1959, is \$1.50 per \$100 of assessed valuation pursuant to Article 2784e-1, Texas Revised Civil Statutes Annotated, as amended (“Article 2784e-1”).

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”).

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 “new money” portion of the Bonds is being issued for school building purposes pursuant to Chapter 45, Texas Education code, as amended and such new money portion is subject to the \$0.50 threshold tax rate test. The “refunding” portion of the Bonds is not subject to the \$0.50 threshold tax rate test. The District has not used projected property values or State assistance (other than EDA or IFA allotment funding) to satisfy this threshold test.

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

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

The Voter-Approval Tax Rate for a school district is the sum of (i) the school district’s MCR; (ii) the greater of (a) the school district’s Enrichment Tax Rate for the preceding year, less any amount by which the school district is required to reduce its current year Enrichment Tax Rate pursuant to Section 48.202(f), 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 44.004I 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.

DISTRICT APPLICATION OF TAX CODE . . . The District grants a State mandated \$140,000 general residence homestead exemption; an exemption to the market value of the residence homestead of persons who are at least 65 years of age or older, or disabled in the amount of \$60,000 (a taxpayer who qualifies for both the age 65 or older exemption and the disabled exemption must choose one of the options to claim); a local option residence homestead exemption for taxpayers who are at least 65 years of age or older in the amount of \$50,000; and disabled veterans are granted exemptions ranging from \$5,000 to \$12,000.

Property within the District is assessed as of January 1 of each year. Taxes become due October 1 of the same year and become delinquent on February 1 of the following year, unless the split payment option is elected, then taxes become delinquent on July 1.

The District's taxes are collected by the Brazos County Tax Assessor/Collector's Office (the "Tax Assessor Collector") only.

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

The Tax Assessor Collector does collect an additional 20% penalty to defray attorney costs in the collection of delinquent taxes over and above the tax, penalty, and interest automatically assessed under the Property Tax Code.

The Assessor Collector does allow split payments of taxes and does not allow for early payment of discounts.

The District does not participate in a tax increment-financing zone.

The District does not grant tax abatements.

The District does not grant a freeport exemption from taxation.

The District does tax goods-in-transit.

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TABLE 1 - VALUATION, EXEMPTIONS AND TAX SUPPORTED DEBT

2025/26 Market Valuation Established by the Brazos Central Appraisal District (includes exempt property)		\$ 19,715,844,519
Less Exemptions/Reductions at 100% Market Value:		
Homestead Exemption	2,103,428,710	
Over-65 Exemption	350,354,237	
Disability/Disabled Surviving Spouse Exemption	5,753,504	
Disabled Veterans/Surviving Spouse Exemption	5,504,104	
Disabled Veterans/Surviving Spouse Homestead Exemption	132,593,125	
Members Armed Services Surviving Spouse Exemption	708,613	
First Responder Surviving Spouse	759,413	
Medical/Biomedical Property	14,621,666	
Solar Power Exemption	738,249	
Pollution Control Exemption	171,703	
Productivity Loss	381,341,746	
Circuit Breaker Limitation	259,457,231	
10% Cap Loss	<u>255,941,015</u>	<u>3,511,373,316</u>
2025/26 Net Taxable Assessed Valuation		<u>\$ 16,204,471,203</u>
Debt Payable from Ad Valorem Taxes as of June 30, 2026		
Unlimited Tax Bonds ⁽¹⁾	\$ 488,915,000	
The Bonds ⁽²⁾	<u>66,140,000</u>	
Debt Payable from Ad Valorem Taxes		<u>\$ 555,055,000</u>
Interest and Sinking Fund as of June 30, 2026 ⁽³⁾		<u>\$ 47,596,311</u>
Ratio of Tax Supported Debt to Taxable Assessed Valuation		3.43%
2026 Estimated Population - 122,459		
Per Capita Taxable Assessed Valuation - \$132,326		
Per Capita Debt Payable from Ad Valorem Taxes - \$4,533		

(1) Excludes the Refunded Obligations.

(2) Preliminary, subject to change.

(3) Unaudited. 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 and is subject to revision upon completion of the District's annual audit.

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TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

Category	Taxable Appraised Value for Fiscal Year Ended					
	6/30/2026 ⁽⁵⁾		6/30/2025 ⁽⁵⁾		8/31/2024	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 11,879,871,459	60.26%	\$11,591,929,206	62.08%	\$10,820,414,372	61.98%
Real, Residential, Multi-Family	3,383,864,011	17.16%	2,973,749,388	15.92%	2,838,998,241	16.26%
Real, Vacant Lots/Tracts	264,400,436	1.34%	225,105,518	1.21%	235,174,955	1.35%
Real, Acreage (Land Only)	388,729,236	1.97%	327,499,651	1.75%	325,676,880	1.87%
Real, Farm and Ranch Improvements	321,014,820	1.63%	306,610,121	1.64%	292,941,121	1.68%
Real, Commercial	2,564,203,005	13.01%	2,186,690,684	11.71%	2,133,562,198	12.22%
Real, Industrial	124,940,809	0.63%	36,862,524	0.20%	36,572,545	0.21%
Oil and Gas, Minerals	5,243,715	0.03%	8,063,310	0.04%	9,168,446	0.05%
Real and Tangible Personal, Utilities	94,628,543	0.48%	91,740,433	0.49%	88,100,862	0.50%
Tangible Personal, Commercial	508,238,586	2.58%	468,468,630	2.51%	472,259,898	2.71%
Tangible Personal, Industrial	46,834,216	0.24%	350,125,475	1.87%	103,879,099	0.60%
Tangible Personal, Other, Mobile Homes	30,363,486	0.15%	36,595,955	0.20%	35,469,197	0.20%
Real Property, Inventory	44,315,427	0.22%	38,957,346	0.21%	36,954,184	0.21%
Personal Property, Inventory	30,605,694	0.16%	31,310,393	0.17%	27,490,876	0.16%
Exempt	28,591,076	0.15%	227,143	0.00%	-	0.00%
Total Appraised Value Before Exemptions	\$ 19,715,844,519	100.00%	\$18,673,935,777	100.00%	\$17,456,662,874	100.00%
Total Exemptions/Reductions	(3,511,373,316)		(2,879,813,523)		(2,879,813,523)	
Adjustments	-		(1,047,956,564)		(705,894,872)	
Taxable Assessed Value	\$ 16,204,471,203 ⁽¹⁾		\$14,746,165,690 ⁽²⁾		\$13,870,954,479 ⁽²⁾	

Category	Taxable Appraised Value for Fiscal Year Ended			
	8/31/2023		8/31/2022	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 8,777,007,627	61.46%	\$ 7,361,783,780	59.29%
Real, Residential, Multi-Family	2,286,463,294	16.01%	2,123,218,178	17.10%
Real, Vacant Lots/Tracts	213,161,612	1.49%	220,047,550	1.77%
Real, Acreage (Land Only)	303,698,228	2.13%	292,041,566	2.35%
Real, Farm and Ranch Improvements	250,037,180	1.75%	223,756,659	1.80%
Real, Commercial	1,769,028,763	12.39%	1,577,981,929	12.71%
Real, Industrial	32,143,167	0.23%	30,666,006	0.25%
Real and Tangible Personal, Utilities	7,711,037	0.05%	5,578,504	0.04%
Tangible Personal, Commercial	75,779,071	0.53%	63,752,692	0.51%
Tangible Personal, Industrial	409,447,292	2.87%	372,938,682	3.00%
Oil and Gas, Minerals	65,441,708	0.46%	70,118,926	0.56%
Tangible Personal, Other, Mobile Homes	20,628,443	0.14%	21,019,772	0.17%
Real Property, Inventory	41,570,323	0.29%	31,324,217	0.25%
Personal Property, Inventory	28,972,196	0.20%	23,073,286	0.19%
Exempt	-	0.00%	-	0.00%
Total Appraised Value Before Exemptions	\$ 14,281,089,941	100.00%	\$12,417,301,747	100.00%
Total Exemptions/Reductions	(1,305,783,039)		(778,655,297)	
Adjustments	(364,788,780)		(359,479,070)	
Taxable Assessed Value	\$ 12,610,518,122 ⁽³⁾		\$11,279,167,380 ⁽⁴⁾	

NOTE: Valuations shown are certified taxable assessed values reported by the Brazos Central Appraisal District. Certified values are subject to change throughout the year as contested values are resolved and the Brazos Central Appraisal District updates records.

- (1) Includes the application of a State-mandated general homestead exemption of \$140,000 and a State-mandated homestead exemption for persons 65 years of age and older and the disabled of \$60,000.
- (2) Includes the application of a State-mandated general homestead exemption of \$100,000 and a State-mandated homestead exemption for persons 65 years of age and older and the disabled of \$10,000.
- (3) Includes the application of a State-mandated general homestead exemption of \$40,000.
- (4) Includes the application of a State-mandated general homestead exemption of \$25,000.
- (5) The District's fiscal year end changed from August 31 to June 30, effective June 30, 2025.

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TABLE 3 - VALUATION AND TAX SUPPORTED DEBT HISTORY

Fiscal Year Ended ⁽¹⁾	Estimated Population ⁽²⁾	Taxable Assessed Valuation ⁽³⁾	Taxable Assessed Valuation Per Capita	Net Tax Supported Debt Outstanding at End of Year	Ratio of Net Tax Supported Debt to Taxable Assessed Valuation	Net Tax Supported Debt Per Capita
2022	125,488	\$ 11,279,167,380	\$ 89,882	\$ 343,110,000	3.04%	\$ 2,734
2023	126,106	12,610,518,122	99,999	324,710,000	2.57%	2,575
2024	125,979	13,870,954,479	110,105	393,685,000	2.84%	3,125
2025	125,046	14,746,165,690	117,926	538,410,000	3.65%	4,306
2026	122,459	16,204,471,203	132,326	509,925,000	3.15%	4,164

(1) The District's fiscal year end changed from August 31 to June 30, effective June 30, 2025.

(2) Source: Municipal Advisory Council of Texas.

(3) Source: District Annual Comprehensive Financial Reports for years ending 2022 through 2025, and Brazos Central Appraisal District's Certified Totals for Tax Year 2025, subject to change during the ensuing year.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended ⁽¹⁾	Tax Rate	Local Maintenance ⁽²⁾	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2022	\$ 1.21520	\$ 0.95220	\$ 0.26300	\$ 137,064,442	99.41%	99.52%
2023	1.17810	0.91510	0.26300	148,564,514	99.24%	99.17%
2024	0.96220	0.69920	0.26300	133,466,324	98.58%	98.92%
2025	0.97290	0.69690	0.27600	143,465,446	95.12%	94.02%
2026	0.97530	0.69630	0.27900	148,013,070	97.14% ⁽³⁾	97.96% ⁽³⁾

(1) The District's fiscal year end changed from August 31 to June 30, effective June 30, 2025.

(2) The District is subject to legislatively-mandated compression of its maintenance and operations tax rate. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM."

(3) As of June 30, 2026. Unaudited.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2025/26 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
College Station Properties KP6 LLC	Apartments	\$ 109,000,000	0.67 %
SO College Station Apartments LP	Apartments	109,000,000	0.67
College Station Properties II KP6 LLC	Apartments	106,000,000	0.65
SHP-The Callaway House LP	Apartments	92,058,045	0.57
The Standard at College Station LLC	Apartments	88,000,000	0.54
CLPF Cottages LP	Apartments	82,795,216	0.51
Fujifilm Diosynth Biotech TX LLC	Pharmaceutical	78,536,165	0.48
SZ Northpoint Apartments LP	Apartments	71,553,311	0.44
Northpoint Crossing Residential II Owner LLC	Apartments	70,359,496	0.43
Weinberg Israel	Real Estate	69,248,477	0.43
		<u>\$ 876,550,710</u>	<u>5.41 %</u>

TABLE 6 - TAX ADEQUACY

Period Ending 8/31/2026 Principal and Interest Requirements on Unlimited Ad Valorem Tax Bonds ⁽¹⁾	\$ 44,189,419
Less: Additional State Aid for Homestead Exemption.....	(3,689,655)
Net: 2025-2026 Principal and Interest Requirements - Unlimited Ad Valorem Tax Debt.....	<u>\$ 40,499,764</u>
 \$0.2790 Interest and Sinking Fund Tax Rate @ 98% Collections.....	 <u>\$ 43,049,099</u>

- (1) Includes the Bonds and excludes the Refunded Obligations. Preliminary, subject to change. The District's fiscal year end is June 30, but due to the timing of tax collections, the District sets its tax rate based on a debt service budget period ending on August 31.

TABLE 7 - ESTIMATED OVERLAPPING DEBT

Expenditures of the various taxing entities within the territory of the District are paid out of ad valorem taxes levied by such entities on properties within the District. Such entities are independent of the District and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax bonds ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional bonds since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the District.

Taxing Jurisdiction	2025/2026 Taxable Assessed Value	2025/2026 Tax Rate	Total Tax Supported Debt	Estimated % Applicable	District's Overlapping Tax Supported Debt As of 6/30/2026	Authorized But Unissued Debt As Of As of 6/30/2026
Brazos County	\$ 34,234,055,188	\$ 0.4197	\$ 81,235,000	52.89%	\$ 42,965,192	\$ 63,000,000
Brazos County MUD #1	233,987,145	1.0000	37,520,000	100.00%	37,520,000	301,475,000
Brazos County MUD #2	27,525,663	1.0000	2,935,000	98.71%	2,897,139	293,906,000
College Station, City of	16,137,131,993	0.5119	406,880,000	94.97%	386,413,936	18,950,000
Rock Prairie MD #2	192,837,328	0.6500	13,220,000	100.00%	13,220,000	342,350,000
College Station Independent School District	16,204,471,203	0.9753	555,055,000 ⁽¹⁾	100.00%	<u>555,055,000⁽¹⁾</u>	<u>46,175,000⁽²⁾</u>
Total Direct and Overlapping Net Tax Supported Debt					<u>\$ 1,038,071,266</u>	
Ratio of Direct and Overlapping Net Tax Supported Debt to Taxable Assessed Valuation					6.41%	
Per Capita Overlapping Net Tax Supported Debt					8,477	

- (1) Includes the Bonds and excludes the Refunded Obligations. Preliminary, subject to change.
(2) See "Table 10 – Authorized but Unissued Unlimited Tax Bonds" herein.

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DEBT INFORMATION

TABLE 8 - PRO-FORMA TAX SUPPORTED DEBT SERVICE REQUIREMENTS⁽¹⁾

Period Ending 8/31	Outstanding Debt ⁽²⁾			The Bonds ⁽³⁾			Total Debt Service	Percent of Principal Retired
	Principal	Interest	Total	Principal	Interest	Total		
2026	\$ 22,580,000	\$ 21,609,419	\$ 44,189,419	\$ -	\$ -	\$ -	\$ 44,189,419	
2027	21,445,000	19,759,119	41,204,119	4,365,000	3,196,767	7,561,767	48,765,885	
2028	17,330,000	18,824,869	36,154,869	4,260,000	3,088,750	7,348,750	43,503,619	
2029	18,165,000	18,000,044	36,165,044	4,480,000	2,875,750	7,355,750	43,520,794	
2030	19,080,000	17,089,544	36,169,544	4,700,000	2,651,750	7,351,750	43,521,294	20.90%
2031	19,730,000	16,230,619	35,960,619	5,055,000	2,416,750	7,471,750	43,432,369	
2032	23,745,000	15,259,475	39,004,475	2,415,000	2,164,000	4,579,000	43,583,475	
2033	26,925,000	14,290,563	41,215,563	1,210,000	2,043,250	3,253,250	44,468,813	
2034	27,965,000	13,277,256	41,242,256	1,275,000	1,982,750	3,257,750	44,500,006	
2035	27,040,000	12,216,447	39,256,447	1,335,000	1,919,000	3,254,000	42,510,447	45.44%
2036	23,975,000	11,172,288	35,147,288	1,405,000	1,852,250	3,257,250	38,404,538	
2037	18,315,000	10,214,328	28,529,328	5,065,000	1,782,000	6,847,000	35,376,328	
2038	19,025,000	9,496,269	28,521,269	1,800,000	1,528,750	3,328,750	31,850,019	
2039	19,785,000	8,740,309	28,525,309	1,625,000	1,438,750	3,063,750	31,589,059	
2040	20,570,000	7,950,075	28,520,075	1,705,000	1,357,500	3,062,500	31,582,575	65.77%
2041	21,405,000	7,115,275	28,520,275	1,790,000	1,272,250	3,062,250	31,582,525	
2042	18,780,000	6,242,900	25,022,900	1,880,000	1,182,750	3,062,750	28,085,650	
2043	15,465,000	5,497,763	20,962,763	1,975,000	1,088,750	3,063,750	24,026,513	
2044	16,110,000	4,848,950	20,958,950	2,075,000	990,000	3,065,000	24,023,950	
2045	16,795,000	4,162,275	20,957,275	2,175,000	886,250	3,061,250	24,018,525	83.45%
2046	17,525,000	3,438,619	20,963,619	2,285,000	777,500	3,062,500	24,026,119	
2047	18,270,000	2,687,494	20,957,494	2,400,000	663,250	3,063,250	24,020,744	
2048	14,845,000	1,960,950	16,805,950	2,520,000	543,250	3,063,250	19,869,200	
2049	15,550,000	1,258,863	16,808,863	2,645,000	417,250	3,062,250	19,871,113	
2050	10,465,000	523,250	10,988,250	2,780,000	285,000	3,065,000	14,053,250	99.48%
2051	-	-	-	2,920,000	146,000	3,066,000	3,066,000	100.00%
	<u>\$ 490,885,000</u>	<u>\$ 251,866,960</u>	<u>\$ 742,751,960</u>	<u>\$ 66,140,000</u>	<u>\$ 38,550,267</u>	<u>\$ 104,690,267</u>	<u>\$ 847,442,226</u>	

(1) The District's fiscal year end is June 30, but due to the timing of tax collections, the District sets its tax rate based on a debt service budget period ending on August 31.

(2) Excludes the Refunded Obligations. Preliminary, subject to change.

(3) Interest calculated at assumed rates for purposes of illustration only. Preliminary, subject to change.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

Tax Supported Debt Service Requirements, Fiscal Year Ending June 30, 2026 ⁽¹⁾		\$ 47,550,660
Interest and Sinking Fund Balance, as of June 30, 2025	\$ 48,408,217	
Additional State Aid for Homestead Exemption	3,689,655	
\$0.2790 Interest and Sinking Fund Tax Levy @ 98.0% Collections	43,049,099	95,146,971
Estimated Balance, Fiscal Year Ending June 30, 2026		<u>\$ 47,596,311</u>

(1) Includes the Bonds and excludes the Refunded Obligations. Preliminary, subject to change.

TABLE 10 - AUTHORIZED BUT UNISSUED UNLIMITED TAX BONDS

Date Authorized	Purpose	Amount Authorized	Amount Previously Issued	Amount Being Issued ⁽¹⁾	Unissued Balance
November 7, 2023	Proposition A - School Building Facilities, Transportation and Security	\$ 284,975,000	\$ 188,800,000	\$ 50,000,000	\$ 46,175,000
		<u>\$ 284,975,000</u>	<u>\$ 188,800,000</u>	<u>\$ 50,000,000</u>	<u>\$ 46,175,000</u>

(1) Includes the Bonds and premium allocated to voted authorization. Preliminary, subject to change.

Future Debt

The District currently plans to issue the remaining amount of its voter-authorized but unissued bonds in the spring of 2027. The final amount, timing, and scope of such issuance remains subject to the discretion of the Board and will depend on a number of factors, including the District's facility needs and capacity.

TABLE 11 - OTHER OBLIGATIONS

GENERAL . . . In addition to voter authorized ad valorem tax-supported debt, the District may also enter into other financial obligations, including maintenance tax notes payable from its collection of maintenance taxes, public property finance contractual obligations, delinquent tax notes, and leases for various purposes payable from State appropriations and surplus maintenance taxes.

Leases Payable

The District has entered into a lease agreement as lessee. The lease allows the right-to-use copiers over the term of the lease. The District is required to make monthly payments at its incremental borrowing rate or the interest rate stated or implied within the leases. The lease rate, term and ending lease liability are as follows:

Governmental activities	Interest Rate(s)	Lease Term in Years	Ending Balance
Copiers	4.02%-4.99%	4.0-5.0	\$ 1,041,062
Total Governmental Activities			<u>\$ 1,041,062</u>

The future principal and interest lease payments as of fiscal year end are as follows:

Year Ending June 30	Principal	Interest	Total
2026	\$ 246,518	\$ 26,971	\$ 273,489
2027	248,613	24,877	273,490
2028	250,725	22,765	273,490
2029	252,855	20,634	273,489
2030	42,351	3,231	45,582
	<u>\$ 1,041,062</u>	<u>\$ 98,478</u>	<u>\$ 1,139,540</u>

The value of the right-to-use assets as of the end of the current fiscal year was \$1,264,629 and had accumulated amortization of \$252,926.

Subscription Based Information Technology Arrangements (SBITA)

The District has entered into multiple SBITAs that allow the right-to-use the SBITA vendor's information technology software over the subscription term. The District is required to make annual payments at its incremental borrowing rate or the interest rate stated or implied within the SBITAs. The SBITAs rate, term and ending subscription liability are as follows:

Governmental activities	Interest Rate(s)	Lease Term in Years	Ending Balance
Software subscriptions	4.19%-4.30%	2.0-4.0	\$ 1,877,894
Total Governmental Activities			<u>\$ 1,877,894</u>

The future principal and interest SBITA payments as of period end are as follows:

Year Ending June 30	Principal	Interest	Total
2026	\$ 628,806	\$ 53,798	\$ 682,604
2027	625,114	81,915	707,029
2028	623,974	111,336	735,310
	<u>\$ 1,877,894</u>	<u>\$ 247,049</u>	<u>\$ 2,124,943</u>

The value of the subscription assets as of the end of the current period was \$3,643,713 and had accumulated amortization of \$2,095,997.

PENSION FUND AND OTHER POST EMPLOYMENT RETIREMENT BENEFITS . . . The District's employees participate in a retirement plan (the "Plan") with the State of Texas. The Plan is administered by the Teacher Retirement System of Texas ("TRS"). State contributions are made to cover costs of the TRS retirement plan up to certain statutory limits. The District is obligated for a portion of TRS costs relating to employee salaries that exceed the statutory limit. For the District's ten months ended June 30, 2025, the State contributed \$5,324,153 to TRS on behalf of the District's employees and the District paid additional State contributions of \$3,448,013. Aside from the District's contribution to the TRS, the District has no pension fund expenditures or liabilities, except for portions of salaries that exceed salary limits of the TRS. The District contributes to the Texas Public School Retired Employees Group Insurance Program ("TRS-Care"), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by TRS. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under TRS. For the District's ten months ended June 30, 2025, the State contributed \$1,002,287 to TRS-Care, District employees paid \$566,920, and other contributions to the plan made from private grants and from the District were \$781,947.

At June 30, 2025, the District reported a liability of \$31,598,753 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 OPEB liability:	\$31,598,753
State's proportionate share that is associated with the District:	<u>39,592,809</u>
Total:	\$71,191,562

The net OPEB liability was measured as of August 31, 2024 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as August 31, 2023 rolled forward to August 31, 2024. 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 the measurement date of August 31, 2024, the employer's proportion of the collective net OPEB liability was 0.1041093%, which was a decrease of -0.0008453% from its proportion measured as of August 31, 2023.

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FINANCIAL INFORMATION

TABLE 12 - CHANGES IN NET ASSETS

	Ten Months Ended June 30, 2025 ⁽¹⁾	Fiscal Years Ended August 31,			
	2024	2023	2022	2021	
Revenues:					
Program Revenues:					
Charges for Services	\$ 4,075,608	\$ 4,349,246	\$ 4,958,968	\$ 2,401,915	\$ 1,972,443
Operating Grants and Contributions	22,761,439	34,953,964	27,588,963	23,849,717	31,209,038
General Revenues:					
Maintenance and Operations Taxes	100,454,546	96,395,300	114,864,427	107,194,222	104,882,911
Debt Service Taxes	39,814,579	36,227,065	33,013,786	29,600,386	28,543,538
Grants and Contributions	33,452,548	41,381,471	17,373,299	12,557,300	13,134,451
Investment Earnings	8,096,624	7,484,058	6,590,029	946,287	125,554
Miscellaneous	257,516	318,476	727,796	226,799	204,752
Total Revenues	<u>\$ 208,912,860</u>	<u>\$ 221,109,580</u>	<u>\$ 205,117,268</u>	<u>\$ 176,776,626</u>	<u>\$ 180,072,687</u>
Expenses:					
Instruction	\$ 96,712,539	\$ 110,815,213	\$ 100,207,262	\$ 90,018,484	\$ 95,285,422
Instructional Resources & Media Services	1,481,888	1,394,097	1,617,121	1,477,291	1,559,782
Curriculum & Staff Development	2,008,984	3,845,879	3,278,948	2,671,778	1,644,498
Instructional Leadership	2,282,958	2,602,267	2,312,334	2,025,173	2,608,924
School Leadership	6,539,573	8,241,888	8,039,554	7,334,066	8,235,831
Guidance, Counseling & Evaluation Services	6,611,623	6,935,014	6,652,940	5,643,146	5,910,648
Social Work Services	9,627	12,981	13,638	12,760	9,711
Health Services	1,725,775	2,184,305	2,137,811	1,878,694	2,108,907
Student Transportation	5,070,343	6,006,833	5,190,683	4,706,275	4,629,111
Food Services	9,204,092	9,736,448	8,788,091	8,075,839	7,552,976
Extracurricular Activities	7,862,186	8,745,725	8,715,562	8,092,804	5,285,217
General Administration	4,041,983	5,050,706	4,647,558	3,979,327	4,016,851
Plant Maintenance and Operations	15,175,550	18,952,121	17,608,590	16,648,483	15,546,621
Security and Monitoring Services	2,109,502	2,744,408	1,225,394	1,167,965	1,191,746
Data Processing Services	3,669,981	4,804,961	5,270,244	3,804,295	3,425,790
Community Services	838,086	896,986	844,836	640,565	1,257,365
Interest on Long-Term Debt	11,522,325	11,862,817	11,122,677	12,456,355	10,729,348
Issuance Costs and Fees	1,402,654	737,390	4,090	525,073	165,947
Facilities Repair and Maintenance	117,509	1,794,171	526,491	80,905	2,895,262
Contracted Instructional Services Between Schools	-	28,145	920,482	1,097,292	3,760,394
Payments Related to Shared Services Arrangement	142,847	89,397	117,693	139,480	137,976
Payments to Juvenile Justice Alternative Education Programs	10,592	12,034	8,630	7,821	8,933
Other Intergovernmental Charges	1,399,450	1,398,922	1,316,423	1,239,808	972,887
Total Expenses	<u>\$ 179,940,067</u>	<u>\$ 208,892,708</u>	<u>\$ 190,567,052</u>	<u>\$ 173,723,679</u>	<u>\$ 178,940,147</u>
Increase (Decrease) in Net Position	28,972,793	12,216,872	14,550,216	3,052,947	1,132,540
Net Position - September 1 (Beginning)	74,617,493	62,400,621	47,850,405	44,797,458	43,664,918
Prior Period Adjustment	(12,918,234) ⁽²⁾	-	-	-	-
Net Position - August 31 (Ending)	<u>\$ 90,672,052</u>	<u>\$ 74,617,493</u>	<u>\$ 62,400,621</u>	<u>\$ 47,850,405</u>	<u>\$ 44,797,458</u>

(1) The District's fiscal year end changed from August 31 to June 30, effective June 30, 2025.

(2) Restated due to a change in accounting principles for the adoption of GASB 101.

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TABLE 12-A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Ten Months Ended June 30,	Fiscal Years Ended August 31,			
	2025 ⁽¹⁾	2024	2023	2022	2021
Revenues:					
Local and Intermediate Sources	\$ 104,629,978	\$ 101,214,609	\$ 119,427,233	\$ 109,200,728	\$ 106,178,455
State Program Revenues	40,129,954	48,193,208	22,063,790	16,885,145	17,609,484
Federal Program Revenues	471,566	2,577,209	3,911,459	3,884,614	2,428,811
Total Revenues	<u>\$ 145,231,498</u>	<u>\$ 151,985,026</u>	<u>\$ 145,402,482</u>	<u>\$ 129,970,487</u>	<u>\$ 126,216,750</u>
Expenditures:					
Instruction	\$ 78,822,540	\$ 86,013,781	\$ 83,007,944	\$ 75,645,533	\$ 74,227,015
Instruction Resources and Media Services	1,174,026	1,365,619	1,297,197	1,148,700	1,168,951
Curriculum and Staff Development	793,957	1,314,164	758,359	517,716	526,982
Instructional Leadership	2,111,337	2,309,975	2,070,681	1,828,673	2,130,584
School Leadership	6,154,232	7,403,433	7,397,577	6,862,566	7,020,342
Guidance, Counseling and Evaluation Services	5,171,818	5,590,499	5,202,531	4,777,147	4,318,138
Health Services	1,543,221	1,925,982	1,938,167	1,726,058	1,765,844
Student Transportation	3,843,187	5,196,719	4,650,668	4,374,636	3,792,664
Food Services	1,842	2,265	2,238	3,292	-
Extracurricular Activities	5,208,738	5,655,463	5,607,794	5,733,840	4,945,060
General Administration	3,937,966	4,852,823	4,570,816	3,956,395	3,568,790
Plant Maintenance and Operations	14,555,705	17,716,862	16,604,444	15,472,654	14,415,801
Security and Monitoring Services	1,827,494	2,109,069	1,021,608	955,057	898,352
Data Processing Services	2,790,748	5,809,129	3,201,869	3,098,696	2,856,571
Community Services	98,970	118,852	195,218	142,631	136,549
Principal on long-term debt	889,800	750,446	149,058	146,220	-
Interest on long-term debt	128,382	18,033	16,975	6,496	-
Capital Outlay	-	-	5,000	-	-
Contracted Instructional Services					
between Schools	-	28,145	920,482	1,097,292	3,760,394
Payments to Shared Service Arrangements	142,847	89,397	117,693	139,480	137,976
Payments to Juvenile Justice					
Alternative Education Program	10,592	12,034	8,630	7,821	8,933
Other Intergovernmental Charges	1,399,450	1,398,922	1,316,423	1,239,808	972,887
Total Expenditures	<u>\$ 130,606,852</u>	<u>\$ 149,681,612</u>	<u>\$ 140,061,372</u>	<u>\$ 128,880,711</u>	<u>\$ 126,651,833</u>
Excess of revenue over (under) expenditures	\$ 14,624,646	\$ 2,303,414	\$ 5,341,110	\$ 1,089,776	\$ (435,083)
Other Financing Sources (Uses):					
Transfers Out (Use)	\$ -	\$ -	\$ -	\$ -	\$ (3,254)
Issuance of Leases	1,264,629	5,550	560,428	-	-
Issuance of Subscriptions	9,602	3,220,203	-	-	-
Refund to Taxpayers	(1,439,166)	(274,158)	(547,482)	(439,732)	(414,803)
Headstart Refund	10,022	-	-	-	-
Extraordinary Gain	413,837	-	1,476,148	2,235,039	-
Extraordinary Loss	(607,534)	(511,394)	(1,748,220)	(3,459,878)	(621,913)
Total Extraordinary Items	(348,610)	2,440,201	(259,126)	(1,664,571)	(1,039,970)
Net Change in Fund Balance	\$ 14,276,036	\$ 4,743,615	\$ 5,081,984	\$ (574,795)	\$ (1,475,053)
Fund Balance - (Beginning)	\$ 43,905,922	\$ 39,162,307	\$ 34,080,323	\$ 34,655,118	\$ 36,130,171
Prior Period Adjustment	-	-	-	-	-
Fund Balance - (Ending)	<u>\$ 58,181,958 ⁽²⁾</u>	<u>\$ 43,905,922</u>	<u>\$ 39,162,307</u>	<u>\$ 34,080,323</u>	<u>\$ 34,655,118</u>

(1) The District's fiscal year end changed from August 31 to June 30, effective June 30, 2025.

(2) The District expects to end fiscal year 2026 with approximately \$6 million of surplus funds added to its general fund balance. The District's fiscal year 2027 budget includes a general fund deficit of approximately \$8.3 million. Actual results may vary from current expectations. See "FORWARD-LOOKING STATEMENTS."

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INVESTMENTS

The District invests its investable funds (including bond proceeds and money pledged to the payment of or as security for bonds or other indebtedness issued by the District or obligations under a lease, installment sale, or other agreement of the District) in investments authorized by Texas law in accordance with investment policies approved by the Board. Both State law and the District's investment policies are subject to change.

LEGAL INVESTMENTS . . . Under State law, the District is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the District selects from a list the governing body of the District or designated investment committee of the District adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in the State that the District selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the District's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the District appoints as the District's custodian of the banking deposits issued for the District's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the United States Securities and Exchange Commission (the "SEC") and operating under SEC Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of Chapter 2256, Texas Government Code (the "Public Funds Investment Act"), that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or their respective successors, and are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for District deposits, or (ii) certificates of deposits where (a) the funds are invested by the District through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the District as required by law, or (B) a depository institution that has its main office or branch office in the State that is selected by the District, (b) the broker or the depository institution selected by the District arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the District, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the District appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d), Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the District with respect to the certificates of deposit; (10) fully collateralized repurchase agreements as defined in the Public Funds Investment Act, that have a defined termination date, are secured by a combination of cash and obligations described in clauses (1) or (13) in this paragraph, require the securities being purchased by the District or cash held by the District to be pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less; (12) certain bankers' acceptances with stated maturity of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated not less than "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (13) commercial paper with a stated maturity of 365 days or less that is rated not less than "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (14) no-load money market mutual funds registered with and regulated by the SEC that provide the District with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with federal SEC Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and (15) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and have either (a) a duration of one year or more and invest exclusively in obligations described in under this heading, or (b) a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the

United States or its agencies and instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract.

A political subdivision such as the District may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, other than the prohibited obligations described below, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAAm" or an equivalent by at least one nationally recognized rating service. The District may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance, or resolution.

The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

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

INVESTMENT POLICIES . . . Under State law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for District funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Texas Public Funds Investment Act. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under State law, the District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived." At least quarterly the District's investment officers must submit an investment report to the Board detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, and any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) Texas law. No person may invest District funds without express written authority from the Board.

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

TABLE 13 - CURRENT INVESTMENTS⁽¹⁾

As of June 30, 2026, the District's investable funds were invested in the following categories:

Description	Book Value	Market Value
Truist Operating Accounts	\$ 2,627,381	\$ 2,627,381
Lone Star - Corporate Overnight Fund	23,753,730	23,753,730
Lone Star - Government Overnight Fund	10,195,241	10,195,241
TexPool	59,602	59,602
Texas CLASS	4,691,099	4,691,099
Extraco	5,000,466	5,000,466
Total	<u>\$ 46,327,519</u>	<u>\$ 46,327,519</u>

As of such date, 100% of the District's investment portfolio will mature within 12 months. The market value of the investment portfolio was approximately 100% of its purchase price. No funds of the District are invested in derivative securities; i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

(1) Unaudited.

TAX MATTERS

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

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

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

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

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

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

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

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

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

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

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 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.

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

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

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

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

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

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

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

INFORMATION REPORTING AND BACKUP WITHHOLDING . . . Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

FUTURE AND PROPOSED LEGISLATION . . . Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

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 Municipal Securities Rulemaking Board (the "MSRB") through its EMMA system, where it will be available to the general public, free of charge, at www.emma.msrb.com.

ANNUAL REPORTS . . . The District will file certain updated financial information and operating data with the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under Tables numbered 1 through 6 and 8 through 13 and in Appendix B. The District will update and provide the information in the numbered tables within six months after the end of each fiscal year ending in and after 2026 and, if not submitted as part of such annual financial information, the District will provide audited financial statements when and if available, and in any event, within 12 months after the end of each fiscal year. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the District will file unaudited financial

statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation.

The District's current fiscal year end is June 30. Accordingly, the District must provide updated information included in the above-referenced tables by the last day of December in each year, and audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available) must be provided by June 30 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will file notice of the change (and of the date of the new fiscal year end) with the MSRB prior to the next date by which the District otherwise would be required to provide financial information and operating data as set forth above.

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

NOTICES OF CERTAIN EVENTS . . . The District will file with the MSRB notice of any of the following events with respect to the Bonds in a timely manner (and not more than 10 business days after occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional paying agent/registrars or the change of name of a paying agent/registrars, 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 Bond 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 the Order, the District has adopted policies and procedures to ensure timely compliance of its continuing disclosure undertakings. 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.

For these purposes, (a) any event described in clause (12) of 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. For the events listed in clause (15) and (16) above, the term financial obligation means a: (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) a guarantee of either (A) or (B). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

AVAILABILITY OF INFORMATION . . . All information and documentation filing required to be made by the District in accordance with its undertaking made for the Bonds will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB.

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

The District may amend its continuing disclosure agreement 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 offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (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 holders and beneficial owners of the Bonds. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the District so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . During the past five years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule. The District’s Fiscal Year 2020 disclosure filing did not include the Ratio of GO Debt to Taxable Assessed Value (the “Ratio”). The Ratio could be calculated from information available publicly on EMMA in the District’s Fiscal Year End 2020 Audited Comprehensive Financial Report and Annual Financial Operating Date for such period. The District has subsequently added the Ratio to its Fiscal Year 2020 filing on EMMA.

OTHER INFORMATION

RATINGS

The Bonds have been rated “Aaa” by Moody’s Investor Service, Inc. (“Moody’s”) by virtue of the guarantee of the Permanent School Fund of the State of Texas (see “THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM”). The presently outstanding unenhanced tax-supported debt of the District is rated “Aa1” by Moody’s. The District has determined to not apply to Fitch Ratings, Inc. (“Fitch”) or S&P Global Ratings (“S&P”) for ratings on these Bonds. The District also has three issues outstanding which are rated “Aaa” by Moody’s, “AAA” by Fitch, and “AAA” by S&P, one issue outstanding which is rated “Aaa” by Moody’s and “AAA” by S&P, two issues outstanding which are rated “AAA” by S&P, and three issues outstanding which are rated “Aaa” by Moody’s, all by virtue of the guarantee of the Permanent School Fund of the State of Texas. The District has received conditional approval for the Bonds to be guaranteed by the corpus of the Permanent School Fund. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. 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 any or all of such rating companies, if in the judgment of any or all of such companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or either of them, may have an adverse effect on the market price of the Bonds. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

LITIGATION

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

At the time of the initial delivery of the 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 said Bonds or in any other manner questioning the issuance, sale or delivery of the Bonds.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

The sale of the Bonds has not been registered 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 qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The District assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for 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 provisions.

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

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 of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of at least "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 capital of at least 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.

The District has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The District has made no review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

LEGAL MATTERS

The District will furnish the Underwriters a complete transcript of proceedings for the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas as to the Bonds to the effect that the Bonds are valid and legally binding obligations of the District, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel to the District to like effect and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "Tax Matters" herein, a form of which opinion is attached to this Official Statement as Appendix C. Though it represents the Financial Advisor and the Underwriters from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the District in connection with the issuance of the Bonds. Bond Counsel also advises the TEA in connection with its disclosure obligations under Federal securities laws, but Bond Counsel has not passed upon any TEA disclosures contained in this Official Statement.

The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds which would affect the provision made for their payment or security, or in any manner questioning the validity of the Bonds will also be furnished to the Underwriters. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under the captions and subcaptions "PLAN OF FINANCING – Refunded Obligations", "THE BONDS" (excluding the information under the subcaptions "Permanent School Fund Guarantee", "Book-Entry-Only System", "Bondholders Remedies", and "Sources and Uses of Funds", "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS", "CURRENT PUBLIC SCHOOL FINANCE SYSTEM", "TAX RATE LIMITATIONS - M&O Tax Rate Limitations" (first paragraph only), "TAX MATTERS", "CONTINUING DISCLOSURE INFORMATION" (excluding the information under the subcaptions "Compliance with Prior Undertakings", "OTHER INFORMATION - Registration and Qualification of Bonds for Sale", "OTHER INFORMATION - Legal Investments and Eligibility to Secure Public Funds in Texas", and "OTHER INFORMATION - Legal Matters" (except for the last sentence of the second paragraph thereof) in the Official Statement and such firm is of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the provisions of the Order. The District expects to pay the legal fee of Bond Counsel for services rendered in connection with the issuance of the Bonds from proceeds of the Bonds. Certain legal matters will be passed upon for the Underwriters by their counsel, Bracewell, LLP, Houston, Texas, whose legal fees are contingent upon the sale and delivery of the Bonds.

The legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opened 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.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Public Finance Partners LLC (the "Verification Agent") will deliver to the District, on or before the settlement date of the Bonds, its verification report (the "Report") indicating that it has verified the mathematical accuracy of the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Federal Securities, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Obligations. Public Finance Partners LLC relied on the accuracy, completeness and reliability of all information provided to it by, and on all decisions and approvals of, the District. In addition, Public Finance Partners LLC has relied on any information provided to it by the District's retained advisors, consultants and legal counsel.

FINANCIAL ADVISOR

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

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

UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the District at the prices indicated on page 2 hereof, less an underwriting discount of \$ _____, and no accrued interest. 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.

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 Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the District for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the 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.

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

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.

SAMCO Capital Markets Inc., an Underwriter of the Bonds, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, "Fidelity"). Under this distribution agreement, SAMCO Capital Markets Inc. may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, SAMCO Capital Markets Inc. will compensate Fidelity for its selling efforts.

FORWARD-LOOKING STATEMENTS DISCLAIMER

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. The District's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included 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 will 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 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.

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

The Order also approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorized its further use in the reoffering of the Bonds by the Underwriters. This Official Statement has been approved by the Board of the District for distribution in accordance with the provisions of the United States Securities and Exchange Commission Rule codified at 17 C.F.R. Section 240.15c2-12.

Whitley Penn, being the independent auditor of the District that prepared the financial statements attached hereto as Appendix B, has not been engaged to perform, and has not performed, since the date of its report included herein, any procedures on the financial statement addressed in that report. Whitley Penn. also has not performed any procedures related to the Official Statement.

/s/

President, Board of Trustees
College Station Independent School District

ATTEST:

/s/

Secretary, Board of Trustees
College Station Independent School District

SCHEDULE OF REFUNDED OBLIGATIONS

Each of the below refunded bonds are to be redeemed on October 1, 2026
("Redemption Date") at the price of par plus accrued interest to the
Redemption Date.

Unlimited Tax School Building Bonds, Series 2014

<u>Original Dated Date</u>	<u>Maturity (August 15)</u>	<u>Interest Rate</u>	<u>Amount</u>
February 15, 2014	2037	4.000%	\$ 4,145,000
	2038	4.000%	795,000
			<u>\$ 4,940,000</u>

Unlimited Tax Refunding Bonds, Series 2016

<u>Original Dated Date</u>	<u>Maturity (August 15)</u>	<u>Interest Rate</u>	<u>Amount</u>
November 15, 2016	2028	4.000%	\$ 1,535,000
	2029	4.000%	1,600,000
	2030	4.000%	1,665,000
	2031	4.000%	1,735,000
	2032	4.000%	1,810,000
			<u>\$ 8,345,000</u>

Unlimited Tax School Building Bonds, Series 2017

<u>Original Dated Date</u>	<u>Maturity (August 15)</u>	<u>Interest Rate</u>	<u>Amount</u>
February 1, 2017	2028	4.000%	\$ 2,475,000
	2029	4.000%	2,575,000
	2030	4.000%	2,675,000
			<u>\$ 7,725,000</u>

APPENDIX A

GENERAL INFORMATION REGARDING THE DISTRICT

GENERAL INFORMATION REGARDING THE DISTRICT

THE DISTRICT

The College Station Independent School District (the “District”) is an agricultural area that includes that includes the City of College Station, Texas (the “City”) located on State Highway 6. The City is the site of Texas A&M University and serves as a residential area for students, faculty, and other personnel associated with the institution. The George Bush Presidential Library and Museum is located on the Texas A&M University campus.

HISTORICAL ENROLLMENT FOR THE DISTRICT:

<u>School Year</u>	<u>Enrollment</u>
2017-18	13,658
2018-19	13,540
2019-20	13,936
2020-21	13,664
2021-22	14,186
2022-23	14,462
2023-24	14,366
2024-25	14,464
2025-26	13,952

NUMBER OF SCHOOLS FACILITIES:

<u>Type of Schools</u>	<u>Number of Schools</u>
Elementary	10
Intermediate	3
Middle	3
High School	3

EDUCATIONAL STATUS OF THE TEACHERS IS AS FOLLOWS:

<u>Education Status of the Teachers</u>	<u>Count</u>
Doctorates' Degree	2
Masters' Degree	280
Bachelor's Degree	671
Average Years of Classroom Experience per Teacher	11.4

PERSONNEL DISTRIBUTION IS AS FOLLOWS:

<u>Personnel Distribution</u>	<u>Count</u>
District Level Administrators	16
Building Level Administrators	48
Instructional Staff	949
Professional Support Staff (Counselors, Librarians, Nurses, Social Workers, etc.)	101
General Personnel (Secretaries, Aides, Clerks, Bus Drivers, Food Service, Maintenance, etc.)	738
Total	<u>1,852</u>

Teacher salaries are competitive with surrounding districts. Teacher salaries range from \$53,250 for beginning teachers to a maximum of \$75,930.

THE CITY OF COLLEGE STATION AND BRAZOS COUNTY

The City of College Station. The City of College Station is principally a residential community for faculty, students, and other personnel of Texas A&M University. The City is located on State Highway 6, situated in the middle of a triangle bounded by Dallas/Ft. Worth, Houston, and San Antonio and Austin, Texas. The City is the site of the George Bush Presidential Library and Museum, located on the campus of Texas A&M University. The City's 2026 estimated population is 132,852.

Brazos County, Texas. Brazos County ("County") is a central Texas county, created and organized in 1854. The county is traversed by State Highways 6, 22, 144, and 174, as well as by the Bosque and Brazos Rivers. The County's 2025 estimated population was 249,624. The County seat is Bryan, Texas.

Economic Base: Mineral: sand, oil, lignite, gravel and gas. Industry: winery, tourism, research and development, market and medical center, industrial parks, government, education, computers and agribusiness. Agricultural: poultry, horticulture, horses, hay, cotton and cattle.

LABOR FORCE STATISTICS FOR BRAZOS COUNTY⁽¹⁾

	2026 ⁽²⁾	2025 ⁽³⁾	2024 ⁽³⁾	2023 ⁽³⁾	2022 ⁽³⁾
Civilian Labor Force	134,528	137,097	133,573	129,684	125,361
Total Employed	128,680	132,227	128,992	125,233	121,136
Total Unemployed	5,848	4,870	4,581	4,451	4,225
Unemployment Rate	4.3%	3.6%	3.4%	3.4%	3.4%
% Unemployed (Texas)	4.9%	4.2%	4.1%	4.0%	3.9%
% Unemployed (U.S.)	4.4%	4.3%	4.0%	3.6%	3.6%

(1) Source: Texas Employment Commission.

(2) As of June 2026.

(3) Average annual statistics.

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APPENDIX B

EXCERPTS FROM THE
COLLEGE STATION INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT

For the Ten Months Ended June 30, 2025

The information contained in this Appendix consists of excerpts from the College Station Independent School District Annual Financial Report for the Ten Months Ended June 30, 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.

Independent Auditor's Report

To the Board of Trustees of
College Station Independent School District
College Station, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of College Station Independent School District (the District), as of and for the ten months ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the ten months 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.

Emphasis of Matter

Change in Fiscal Year End

As discussed in Note 1 to the basic financial statements, the District elected to change its fiscal year end from August 31 to June 30 effective for the 2024-2025 reporting period. Therefore, the basic financial statements present the ten-month period from September 1, 2024 through June 30, 2025. Our opinions are not modified with respect to this matter.

Implementation of New Accounting Standard

As discussed in Note 1 to the basic financial statements, during the ten months ended June 30, 2025, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. Beginning net position has been restated as a result of the implementation of this statement. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The District's 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.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Supplementary Information and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Information and Schedule of Expenditures of Federal Awards 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. Such 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 Supplementary Information and Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the Schedule of Required Responses to Selected School FIRST Indicators but does not include the financial statements and our auditor's report thereon. Our opinions on the 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 financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2025 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Austin, Texas
November 14, 2025

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Management's Discussion and Analysis (Unaudited)

As management of the College Station Independent School District (the District), we offer readers of the accompanying report this narrative overview and analysis of the financial activities of the District for the ten months ended June 30, 2025. In reviewing this report, readers should be mindful that it is often necessary for management to make and use estimates in the preparation of financial statements. Examples of the use of such estimates may be found in amounts reported for depreciation and amortization, net taxes receivable, claims payable of the District's self-insured workers' compensation program, compensated absences liability and the net pension and net other postemployment benefit liability.

Financial Highlights

- Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources at period-end by \$91,619,864 (net position). Of this amount, \$32,148,663 (unrestricted net position) was in a deficit due to recognition of net pension liabilities, net OPEB liabilities and related deferrals.
- The District's total net position increased by \$29,325,429 due to current operations.
- As of the close of the current period, the District's governmental funds had combined ending fund balances of \$326,214,431, an increase of \$159,608,672 from the preceding period.
- At the end of the current period, unassigned fund balance of the general fund was \$52,724,519, or 40 percent of the period's total general fund expenditures.
- The District's net bonded debt increased by \$153,217,818 (37 percent) due to the bond issuance in the current fiscal period.
- The District elected to change its fiscal year end from August 31 to June 30 effective for the 2024-2025 reporting period, therefore, only ten months are presented for 2025.

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 comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains required supplementary information and supplementary and other information in addition to the basic financial statements.

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

The *Statement of Net Position* (Exhibit A-1) presents information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as an indicator of how the financial position of the District is changing.

The *Statement of Activities* (Exhibit B-1) presents information showing how the District's net position changed during the most recent fiscal period. Changes in net position are reported upon occurrence of the underlying event giving rise to the change, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some transactions that will not result in cash flows until future fiscal periods (e.g., uncollected taxes and incurred but unpaid workers' compensation benefits).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type 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, Extracurricular Activities, General Administration, Plant Maintenance and Operations, Security and Monitoring Services, Data Processing Services, Community Services, Interest on Long-term Debt, Issuance Costs and Fees, Facilities Repair and Maintenance, Payments Related to Shared Services Arrangements, Payments to Juvenile Justice Alternative Education Programs, and Other Intergovernmental Charges*. The business-type activities of the District include the enterprise funds for *Community Education, Kids Klub, and Community Sports Camps*.

The government-wide financial statements can be found as noted in the table of contents of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, as do 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. 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 cash resources, as well as on balances of cash resources available at the end of the fiscal period. Such information may be useful in evaluating near-term financing requirements.

Because the focus of governmental funds financial statements 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 effect 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 maintained twenty-three individual governmental funds during the period. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects funds, which are considered to be major funds. Data from the other twenty governmental funds are combined into a single, aggregated presentation titled *total nonmajor funds*.

The District adopts an annual revenue and appropriations budget for its general fund, debt service fund, and National School Breakfast and Lunch Program special revenue funds. All other governmental funds adopt project length budgets. Subsequent to adoption, amendments approved by the governing body are reflected in a revised budget column. A budgetary comparison schedule has been provided for the general fund, debt service fund, and National School Breakfast and Lunch Program special revenue funds to demonstrate compliance with its budget.

The basic governmental fund financial statements are noted in the table of contents of this report.

Proprietary Fund. The District maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The District uses enterprise funds to account for its Community Education program, Kids Klub, and Community Sports Camps. *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 the internal service fund to account for its self-funded workers' compensation program. Because this service predominantly benefits governmental operations, their financial activities have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide essentially the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements are provided with the basic financial statements and provide information for the Community Education program, Kids Klub, Community Sports Camps, and the self-funded workers' compensation program.

The basic proprietary fund financial statements are noted in the table of contents of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of students and student organizations. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs and activities. The basic fiduciary fund financial statements can be found as noted in the table of contents of this report.

Notes to the Basic Financial Statements. The notes 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 basic financial statements are noted in the table of contents of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report presents required supplementary information and supplementary information, including schedules required by the Texas Education Agency. Such information is noted in the table of contents of this report.

Government-wide Financial Analysis

As mentioned earlier, net position may, over time, serve as an indicator of a District's changing financial position. At the close of the District's most recent fiscal period, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$91,619,864.

College Station Independent School District's Net Position

	Governmental Activities		Business-type Activities		Totals	
	June 30, 2025	August 31, 2024	June 30, 2025	August 31, 2024	June 30, 2025	August 31, 2024
	Amount	Amount	Amount	Amount	Amount	Amount
Current and other assets	\$ 365,432,137	\$ 186,366,671	\$ 1,215,908	\$ 749,297	\$ 366,648,045	\$ 187,115,968
Capital assets, net	435,725,024	407,587,807	54,740	-	435,779,764	407,587,807
Total assets	801,157,161	593,954,478	1,270,648	749,297	802,427,809	594,703,775
Total deferred outflows of resources	29,681,630	36,916,794	-	-	29,681,630	36,916,794
Long-term liabilities outstanding	669,255,648	499,612,166	-	-	669,255,648	499,612,166
Other liabilities	38,581,800	16,036,964	322,836	154,121	38,904,636	16,191,085
Total liabilities	707,837,448	515,649,130	322,836	154,121	708,160,284	515,803,251
Total deferred inflows of resources	32,329,291	40,604,649	-	-	32,329,291	40,604,649
Net position:						
Net investment in capital assets	76,841,148	91,476,362	-	-	76,841,148	91,476,362
Restricted for grants	2,841,926	3,386,300	-	-	2,841,926	3,386,300
Restricted for debt service	44,085,453	15,437,881	-	-	44,085,453	15,437,881
Unrestricted (deficit)	(33,096,475)	(35,683,050)	947,812	595,176	(32,148,663)	(35,087,874)
Total net position	\$ 90,672,052	\$ 74,617,493	\$ 947,812	\$ 595,176	\$ 91,619,864	\$ 75,212,669

The largest portion of the District's net position of \$76,841,148 is net investment in capital assets (e.g., land and improvements, buildings and improvements, furniture and equipment, right to use assets and construction in progress), less any related debt used to acquire those assets that are still outstanding. 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.

Net position that is restricted for debt service and grants totaled \$46,927,379.

Unrestricted net position of (\$32,148,663) is reported as a deficit resulting from the recognition net pension and net OPEB liabilities, as well as related deferred outflows and deferred inflows. At the end of the current period, the District is able to report positive balances in total net position for governmental and business-type activities.

The District implemented GASB Statement No. 101, *Compensated Absences*, in fiscal period 2025 resulting in a restatement which decreased net position in governmental activities by \$12,918,234 as of September 1, 2024. Because the restatement is the result of a change in accounting principle, the information for 2024 in the MD&A tables has not been restated in accordance with GASB Statement No. 100, *Accounting for Changes and Error Corrections – an Amendment of GASB Statement No. 62*. See Note 1 for further information. Governmental activities increased the District's net position by \$28,972,793 from current operations and business-type activities increased the District's net position by \$352,636. Key elements of this change are as follows:

College Station Independent School District's Changes in Net Position

	Governmental Activities		Business-type Activities		Totals	
	Ten Months Ended	Twelve Months Ended	Ten Months Ended	Twelve Months Ended	Ten Months Ended	Twelve Months Ended
	June 30, 2025	August 31, 2024	June 30, 2025	August 31, 2024	June 30, 2025	August 31, 2024
Revenue						
Program revenues:						
Charges for services	\$ 4,075,608	\$ 4,349,246	\$ 2,462,205	\$ 2,770,219	\$ 6,537,813	\$ 7,119,465
Operating grants and contributions	22,761,439	34,953,964	-	-	22,761,439	34,953,964
General revenues:						
Property taxes, levied for general purposes	100,454,546	96,395,300	-	-	100,454,546	96,395,300
Property taxes, levied for debt service	39,814,579	36,227,065	-	-	39,814,579	36,227,065
Grants and contributions not restricted	33,452,548	41,381,471	-	-	33,452,548	41,381,471
Investment earnings	8,096,624	7,484,058	-	-	8,096,624	7,484,058
Miscellaneous	257,516	318,476	-	-	257,516	318,476
Total revenues	208,912,860	221,109,580	2,462,205	2,770,219	211,375,065	223,879,799
Expenses						
Instruction	96,712,539	110,815,213	-	-	96,712,539	110,815,213
Instructional resources and media services	1,481,888	1,394,097	-	-	1,481,888	1,394,097
Curriculum and instructional staff development	2,008,984	3,845,879	-	-	2,008,984	3,845,879
Instructional leadership	2,282,958	2,602,267	-	-	2,282,958	2,602,267
School leadership	6,539,573	8,241,888	-	-	6,539,573	8,241,888
Guidance, counseling, and evaluation services	6,611,623	6,935,014	-	-	6,611,623	6,935,014
Social work services	9,627	12,981	-	-	9,627	12,981
Health services	1,725,775	2,184,305	-	-	1,725,775	2,184,305
Student transportation	5,070,343	6,006,833	-	-	5,070,343	6,006,833
Food services	9,204,092	9,736,448	-	-	9,204,092	9,736,448
Extracurricular activities	7,862,186	8,745,725	-	-	7,862,186	8,745,725
General administration	4,041,983	5,050,706	-	-	4,041,983	5,050,706
Plant maintenance and operations	15,175,550	18,952,121	-	-	15,175,550	18,952,121
Security and monitoring services	2,109,502	2,744,408	-	-	2,109,502	2,744,408
Data processing services	3,669,981	4,804,961	-	-	3,669,981	4,804,961
Community services	838,086	896,986	-	-	838,086	896,986
Interest on long-term debt	11,522,325	11,862,817	-	-	11,522,325	11,862,817
Issuance costs and fees	1,402,654	737,390	-	-	1,402,654	737,390
Facilities repair and maintenance	117,509	1,794,171	-	-	117,509	1,794,171
Contracted instructional services						
between schools	-	28,145	-	-	-	28,145
Payments related to shared services						
arrangements	142,847	89,397	-	-	142,847	89,397
Payments to juvenile justice alternative						
education programs	10,592	12,034	-	-	10,592	12,034
Other intergovernmental charges	1,399,450	1,398,922	-	-	1,399,450	1,398,922
Community education	-	-	323,214	698,053	323,214	698,053
Kids Klub	-	-	1,659,916	1,695,270	1,659,916	1,695,270
Community sports camps	-	-	126,439	239,972	126,439	239,972
Total expenses	179,940,067	208,892,708	2,109,569	2,633,295	182,049,636	211,526,003
Change in net position	28,972,793	12,216,872	352,636	136,924	29,325,429	12,353,796
Net position - beginning	74,617,493	62,400,621	595,176	458,252	75,212,669	62,858,873
Cumulative effect of adoption of GASB 101	(12,918,234)	-	-	-	(12,918,234)	-
Net position - beginning, as restated	61,699,259	62,400,621	595,176	458,252	62,294,435	62,858,873
Net position - ending	\$ 90,672,052	\$ 74,617,493	\$ 947,812	\$ 595,176	\$ 91,619,864	\$ 75,212,669

Governmental Activities. Revenues, aggregating \$208,912,860, were generated primarily from two sources. Property taxes of \$140,269,125 represent 67 percent of total revenues, while grants and contributions (program and general) totaling \$56,213,987 represent 27 percent of total revenues. The remaining 6 percent is generated from investment earnings, charges for services, and miscellaneous revenues.

The primary functional expense of the District is instruction totaling \$96,712,539, which represents 54 percent of total expenses. The remaining expense categories are individually less than 10 percent of total expenses. There were no significant changes in expenses by function.

Business-type Activities. Business-type activities increased the District's net position by \$352,636, primarily due to increased enrollment in the community programs during the period.

Financial Analysis of the Government's Funds

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

Governmental Funds. At the end of the fiscal period, the District's governmental funds had combined ending fund balances of \$326,214,431, an increase of \$159,608,672 from the preceding period. Comments as to each individual fund's change in fund balance follows.

The general fund is the primary operating fund of the District. At period-end, unassigned fund balance of the general fund was \$52,724,519, while total fund balance was \$58,181,958. To evaluate the general fund's liquidity, it may be helpful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 40 percent of total general fund expenditures, while total fund balance represents 45 percent of that same total. The fund balance of the general fund increased \$14,276,036 during the period, primarily due to the change in fiscal year, which resulted in less operating expenditures in the current period.

The debt service fund ended the period with a total fund balance of \$48,408,217, all of which is restricted for the payment of principal and interest on debt. The debt service fund balance increased \$33,117,825 during the period, primarily due to the change in fiscal year, which resulted in recognition of less debt service payments in the current period.

The capital projects fund has a total fund balance of \$214,451,699, all of which is restricted for capital expenditures. The net increase in fund balance during the current period in the capital projects fund was \$112,474,580 primarily due to proceeds from the issuance of building bonds.

Governmental funds financial statements may be found by referring to the table of contents.

Proprietary Funds. The District's proprietary fund financial statements, reflecting enterprise and internal service funds created for its Community Education program, Kids Klub, Community Sports Camps, and self-funded workers' compensation program, provides information as to profitability of those programs. The net change in assets of the internal service fund is eliminated and allocated to the governmental expenses in the government-wide financial statements. The enterprise funds have been addressed in the discussion of the District's business-type activities.

General Fund Budgetary Highlights

The District amends the budget as needed throughout the period. The final amended budget of the general fund included a decrease in local and intermediate budgeted revenues of \$3.1 million and an increase in state program budgeted revenues by \$2.0 million from the original budget due to local insurance proceeds received and an increase in state funding due to increased student enrollment and other factors. The \$11.6 million decrease in the expenditure budget is primarily due to the change in fiscal year in the current period.

The most significant variance between the amended budget and actual revenue was state program revenues which were \$2.2 million under budget. The \$11.3 million variance between the amended budget and actual for expenditures is primarily the result of budgeted funds not expended for instruction as well as various other expenditure functions.

Capital Assets and Long-term Liabilities

Capital Assets. The District's investment in capital assets for its governmental and business-type activities as of June 30, 2025 was \$435,779,764 (net of accumulated depreciation and amortization). This investment in capital assets includes land and improvements, buildings and improvements, furniture, and equipment, right to use assets and construction in progress.

Major capital asset addition activity during the period included the following:

- Furniture and equipment totaling \$6,830,207.
- Construction in progress totaling \$38,192,966 and comprised of multiple renovations, athletic fields, and various other projects.

College Station Independent School District's Capital Assets (net of depreciation and amortization)

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
	Amount	Amount	Amount	Amount	Amount	Amount
Land and improvements	\$ 25,507,272	\$ 25,507,272	\$ -	\$ -	\$ 25,507,272	\$ 25,507,272
Buildings and improvements	347,810,772	339,258,397	-	-	347,810,772	339,258,397
Furniture and equipment	18,106,036	14,230,876	54,740	-	18,160,776	14,230,876
Right to use lease assets	1,011,703	174,302	-	-	1,011,703	174,302
Right to use subscription assets	2,013,044	3,047,230	-	-	2,013,044	3,047,230
Construction in progress	41,276,197	25,369,730	-	-	41,276,197	25,369,730
Totals	\$ 435,725,024	\$ 407,587,807	\$ 54,740	\$ -	\$ 435,779,764	\$ 407,587,807

Commitments. At the end of the current fiscal period, the District's commitments with construction contractors totaled \$149,736,415.

Additional information on the District's capital assets can be found in the notes to the financial statements per the table of contents.

Long-term Liabilities. At period-end, the District had the following long-term liabilities:

College Station Independent School District's Long-Term Liabilities Outstanding

	Governmental Activities					
	2025		2024		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
General obligation bonds (net)	\$ 571,533,437	86	\$ 418,315,619	84	\$ 153,217,818	37
Arbitrage liability	2,465,940	-	1,635,355	-	830,585	51
Leases payable	1,041,062	-	90,733	-	950,329	1,047
Subscriptions payable	1,999,853	-	2,911,649	1	(911,796)	(31)
Workers' compensation	380,193	-	576,132	-	(195,939)	(34)
Compensated absences	14,001,287	2	938,820	-	13,062,467	1,391
Net pension liability	46,235,123	7	51,908,705	10	(5,673,582)	(11)
Net OPEB liability	31,598,753	5	23,235,153	5	8,363,600	36
Totals	\$ 669,255,648	100	\$ 499,612,166	100	\$ 169,643,482	

The District's total net debt increased by \$153,217,818 primarily due to the issuance of \$189,820,000 of general obligation bonds, a \$13 million increase in compensated absences, the result of implementation of GASB Statement No. 101, *Compensated Absences*, a \$5.7 million decrease in the District's net pension liability, and an \$8.4 million increase in the District's net OPEB liability.

The District's general obligation debt is backed by the full faith and credit of the District and is further guaranteed by the Texas Permanent School Fund Bond Guarantee Program or by a municipal bond insurance policy. State statutes do not limit the amount of bonded indebtedness issued by school districts, so long as the debt service tax rate does not exceed the limit established in Texas Education Code 45.0031. Additionally, approval by the Attorney General of the State of Texas is required prior to the sale of bonds.

Additional information on the District's long-term liabilities can be found in the notes to the financial statements per the table of contents.

Economic Factors and Next Year's Budget and Rates

- School year (2025-26) student enrollment is 14,018, a 3 percent decrease from the preceding period.
- District staff totals 2,108 employees in 2025-26, excluding substitutes and other part-time employees, of which 1,042 are teachers and 434 are teacher aides and secretaries.
- The District maintains 19 regular education campuses.
- Property values of the District are projected to increase by 6 percent for the 2025-26 year.
- A maintenance and operations tax rate of \$0.6963 and a debt service tax rate of \$0.2790, a total rate of \$0.9753, were adopted for 2025-26. Preceding period rates were \$0.6969, \$0.2760, and \$0.9729, respectively.

All of these factors and others were considered in preparing the District's budget for the 2025-26 fiscal year.

Requests for Information

This financial report is intended to provide a general overview of the District's finances for those with an interest in this information. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, College Station Independent School District, 1812 Welsh, College Station, Texas 77840.

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Basic Financial Statements

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College Station Independent School District

Exhibit A-1

Statement of Net Position

June 30, 2025

		1	2	3
Data Control Codes		Primary Government		
		Governmental Activities	Business-type Activities	Total
ASSETS				
1110	Cash and cash equivalents	\$ 117,646,018	\$ 1,208,877	\$ 118,854,895
1120	Current investments	229,540,876	-	229,540,876
1220	Property taxes receivable	6,631,216	-	6,631,216
1230	Allowance for uncollectible taxes	(66,312)	-	(66,312)
1240	Due from other governments	9,480,221	-	9,480,221
1290	Other receivables	492,774	-	492,774
1300	Inventories	505,396	-	505,396
1410	Prepaid items	1,201,948	7,031	1,208,979
	Capital assets, not being depreciated and amortized:			
1510	Land and improvements	25,507,272	-	25,507,272
1580	Construction in progress	41,276,197	-	41,276,197
	Capital assets, net of accumulated depreciation and amortization:			
1520	Buildings and improvements	347,810,772	-	347,810,772
1530	Furniture and equipment	18,106,036	54,740	18,160,776
1550	Right to use lease assets	1,011,703	-	1,011,703
1553	Right to use subscription assets	2,013,044	-	2,013,044
1000	Total assets	801,157,161	1,270,648	802,427,809
DEFERRED OUTFLOWS OF RESOURCES				
1705	Deferred outflows - pension	12,866,376	-	12,866,376
1706	Deferred outflows - OPEB	14,058,292	-	14,058,292
1710	Deferred charge on refunding	2,756,962	-	2,756,962
1700	Total deferred outflows of resources	29,681,630	-	29,681,630
LIABILITIES				
2110	Accounts payable	14,510,008	100,332	14,610,340
2140	Interest payable	5,121,916	-	5,121,916
2150	Payroll deductions and withholdings	1,314,790	-	1,314,790
2160	Accrued wages payable	17,305,514	201	17,305,715
2300	Unearned revenue	329,572	222,303	551,875
	Noncurrent liabilities:			
2501	Due within one year	34,904,123	-	34,904,123
2502	Due in more than one year	556,517,649	-	556,517,649
2540	Net pension liability	46,235,123	-	46,235,123
2545	Net OPEB liability	31,598,753	-	31,598,753
2000	Total liabilities	707,837,448	322,836	708,160,284
DEFERRED INFLOWS OF RESOURCES				
2605	Deferred inflows - pension	2,789,679	-	2,789,679
2606	Deferred inflows - OPEB	28,021,427	-	28,021,427
2610	Deferred gain on refunding	1,518,185	-	1,518,185
2600	Total deferred inflows of resources	32,329,291	-	32,329,291
NET POSITION				
3200	Net investment in capital assets	76,841,148	-	76,841,148
3820	Restricted for grants	2,841,926	-	2,841,926
3850	Restricted for debt service	44,085,453	-	44,085,453
3900	Unrestricted (deficit)	(33,096,475)	947,812	(32,148,663)
3000	TOTAL NET POSITION	\$ 90,672,052	\$ 947,812	\$ 91,619,864

The Notes to the Financial Statements are an integral part of this statement.

College Station Independent School District

Statement of Activities

For the Ten Months Ended June 30, 2025

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues		4 Operating Grants and Contributions
			Charges for Services		
	PRIMARY GOVERNMENT				
	Governmental activities:				
0011	Instruction	\$ 96,712,539	\$ 312,838	\$ 8,230,246	
0012	Instructional resources and media services	1,481,888	23,318	150,405	
0013	Curriculum and instructional staff development	2,008,984	1,084	1,192,587	
0021	Instructional leadership	2,282,958	-	326,558	
0023	School leadership	6,539,573	4,078	206,269	
0031	Guidance, counseling, and evaluation services	6,611,623	52,498	1,551,495	
0032	Social work services	9,627	-	9,126	
0033	Health services	1,725,775	474	187,308	
0034	Student transportation	5,070,343	-	187,282	
0035	Food services	9,204,092	2,924,170	5,418,073	
0036	Extracurricular activities	7,862,186	600,742	1,364,242	
0041	General administration	4,041,983	-	221,182	
0051	Plant maintenance and operations	15,175,550	151,938	313,003	
0052	Security and monitoring services	2,109,502	217	397,517	
0053	Data processing services	3,669,981	-	42,041	
0061	Community services	838,086	168	694,147	
0072	Interest on long-term debt	11,522,325	-	2,247,650	
0073	Issuance costs and fees	1,402,654	-	-	
0081	Facilities repair and maintenance	117,509	4,083	22,308	
0093	Payments related to shared services arrangement	142,847	-	-	
0095	Payments to juvenile justice alternative education programs	10,592	-	-	
0099	Other intergovernmental charges	1,399,450	-	-	
TG	Total governmental activities	179,940,067	4,075,608	22,761,439	
	Business-type activities:				
01	Community education	323,214	389,351	-	
02	Kids Klub	1,659,916	1,789,122	-	
03	Community sports camps	126,439	283,732	-	
TB	Total business-type activities	2,109,569	2,462,205	-	
TP	TOTAL PRIMARY GOVERNMENT	\$ 182,049,636	\$ 6,537,813	\$ 22,761,439	
	General revenues:				
MT	Property taxes, levied for general purposes				
DT	Property taxes, levied for debt service				
GC	Grants and contributions not restricted to specific programs				
IE	Investment earnings				
MI	Miscellaneous				
TR	Total general revenues				
CN	Change in net position				
NB	Net position - beginning				
PA	Cumulative effect of adoption of GASB 101				
	Net position - beginning, as restated				
NE	NET POSITION - ENDING				

The Notes to the Financial Statements are an integral part of this statement.

6	7	8
Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
\$ (88,169,455)	\$ -	\$ (88,169,455)
(1,308,165)	-	(1,308,165)
(815,313)	-	(815,313)
(1,956,400)	-	(1,956,400)
(6,329,226)	-	(6,329,226)
(5,007,630)	-	(5,007,630)
(501)	-	(501)
(1,537,993)	-	(1,537,993)
(4,883,061)	-	(4,883,061)
(861,849)	-	(861,849)
(5,897,202)	-	(5,897,202)
(3,820,801)	-	(3,820,801)
(14,710,609)	-	(14,710,609)
(1,711,768)	-	(1,711,768)
(3,627,940)	-	(3,627,940)
(143,771)	-	(143,771)
(9,274,675)	-	(9,274,675)
(1,402,654)	-	(1,402,654)
(91,118)	-	(91,118)
(142,847)	-	(142,847)
(10,592)	-	(10,592)
(1,399,450)	-	(1,399,450)
(153,103,020)	-	(153,103,020)
-	66,137	66,137
-	129,206	129,206
-	157,293	157,293
-	352,636	352,636
(153,103,020)	352,636	(152,750,384)
100,454,546	-	100,454,546
39,814,579	-	39,814,579
33,452,548	-	33,452,548
8,096,624	-	8,096,624
257,516	-	257,516
182,075,813	-	182,075,813
28,972,793	352,636	29,325,429
74,617,493	595,176	75,212,669
(12,918,234)	-	(12,918,234)
61,699,259	595,176	62,294,435
\$ 90,672,052	\$ 947,812	\$ 91,619,864

College Station Independent School District

Balance Sheet – Governmental Funds

June 30, 2025

Data Control Codes		199	599
		General Fund	Debt Service Fund
	ASSETS		
1110	Cash and cash equivalents	\$ 51,548,894	\$ 36,946,084
1120	Current investments	3,897,033	9,979,658
1220	Property taxes receivable	4,813,595	1,817,621
1230	Allowance for uncollectible taxes	(48,136)	(18,176)
1240	Due from other governments	6,911,843	344,439
1260	Due from other funds	10,446,021	-
1290	Other receivables	254,421	137,743
1300	Inventories	328,319	-
1410	Prepaid items	1,179,120	-
1000	Total assets	79,331,110	49,207,369
1000a	TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 79,331,110</u>	<u>\$ 49,207,369</u>
	LIABILITIES		
2110	Accounts payable	\$ 1,365,834	\$ -
2150	Payroll deductions and withholdings	1,314,790	-
2160	Accrued wages payable	16,156,182	-
2170	Due to other funds	8,150	-
2300	Unearned revenue	72,600	-
2000	Total liabilities	18,917,556	-
	DEFERRED INFLOWS OF RESOURCES		
2620	Unavailable revenue - property taxes	2,231,596	799,152
2625	Unavailable revenue - grants	-	-
	Total deferred inflows of resources	2,231,596	799,152
	FUND BALANCES		
3410	Nonspendable - inventories	328,319	-
3430	Nonspendable - prepaid items	1,179,120	-
3450	Restricted - grant funds	-	-
3470	Restricted - capital acquisitions and contractual obligations	-	-
3480	Restricted - debt service	-	48,408,217
3510	Committed - construction	2,750,000	-
3530	Committed - capital expenditures for equipment	200,000	-
3545	Committed - other	1,000,000	-
3600	Unassigned	52,724,519	-
3000	Total fund balances	58,181,958	48,408,217
4000	TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 79,331,110</u>	<u>\$ 49,207,369</u>

The Notes to the Financial Statements are an integral part of this statement.

699		98
Capital Projects	Total	Total
Fund	Nonmajor	Governmental
Funds	Funds	Funds
\$ 21,670,327	\$ 5,387,777	\$ 115,553,082
214,865,471	208,654	228,950,816
-	-	6,631,216
-	-	(66,312)
-	2,223,939	9,480,221
-	8,150	10,454,171
83,343	9,395	484,902
-	177,077	505,396
79,447	33,365	1,291,932
<u>236,698,588</u>	<u>8,048,357</u>	<u>373,285,424</u>
<u>\$ 236,698,588</u>	<u>\$ 8,048,357</u>	<u>\$ 373,285,424</u>
\$ 12,883,920	\$ 260,254	\$ 14,510,008
-	-	1,314,790
-	1,149,332	17,305,514
9,362,969	1,083,052	10,454,171
-	256,972	329,572
<u>22,246,889</u>	<u>2,749,610</u>	<u>43,914,055</u>
-	-	3,030,748
-	126,190	126,190
<u>-</u>	<u>126,190</u>	<u>3,156,938</u>
-	-	328,319
-	32,994	1,212,114
-	2,841,926	2,841,926
214,451,699	-	214,451,699
-	-	48,408,217
-	-	2,750,000
-	-	200,000
-	2,423,827	3,423,827
-	(126,190)	52,598,329
<u>214,451,699</u>	<u>5,172,557</u>	<u>326,214,431</u>
<u>\$ 236,698,588</u>	<u>\$ 8,048,357</u>	<u>\$ 373,285,424</u>

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College Station Independent School District
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2025

Exhibit C-1R

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS (EXHIBIT C-1) **\$ 326,214,431**

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. The governmental capital assets at year-end consist of:

Governmental capital assets costs	\$ 711,672,119	
Accumulated depreciation and amortization of governmental capital assets	<u>(275,947,095)</u>	435,725,024

Prepaid expenditures for subscriptions, which will be expenditures that apply to a future period(s), are reported as capital assets for governmental activities in the statement of net position.		(89,984)
---	--	----------

Property taxes receivable, which will be collected subsequent to year-end, but are not available soon enough to pay expenditures and, therefore, are deferred in the funds.		3,030,748
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Federal and state grant reimbursements have been submitted and are due this year, but are not available soon enough to pay for the current period's expenditures.		126,190
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Long-term liabilities, including bonds payable, rebatable arbitrage, leases payable, subscriptions payable, compensated absences, and net pension and OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Liabilities at year-end related to such items, consist of:

Bonds payable, at original par	\$ (538,410,000)	
Premium on bonds payable	(33,123,437)	
Rebatable arbitrage	(2,465,940)	
Accrued interest on the bonds	(5,121,916)	
Leases payable	(1,041,062)	
Subscriptions payable	(1,999,853)	
Compensated absences	(14,001,287)	
Net pension liability	(46,235,123)	
Net OPEB liability	<u>(31,598,753)</u>	(673,997,371)

An internal service fund is used by the District to charge the costs of workers' compensation benefits to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.		2,310,675
--	--	-----------

Deferred charge on refunding is reported as deferred outflow in the statement of net position and is not reported in the governmental funds as it is not a current financial resource available to pay for current expenditures.		2,756,962
--	--	-----------

Deferred gain on refunding represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.		(1,518,185)
---	--	-------------

Deferred outflows of resources for pension represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until then.		12,866,376
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Deferred inflows of resources for pension represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.		(2,789,679)
--	--	-------------

Deferred outflows of resources for OPEB represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until then.		14,058,292
--	--	------------

Deferred inflows of resources for OPEB represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.		<u>(28,021,427)</u>
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TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES (EXHIBIT A-1) **\$ 90,672,052**

The Notes to the Financial Statements are an integral part of this statement.

College Station Independent School District
Statement of Revenues, Expenditures, and Changes
in Fund Balances – Governmental Funds
For the Ten Months Ended June 30, 2025

Data Control Codes		199	599
		General Fund	Debt Service Fund
REVENUES			
5700	Local and intermediate sources	\$ 104,629,978	\$ 41,202,669
5800	State program revenues	40,129,954	2,247,650
5900	Federal program revenues	471,566	-
5020	Total revenues	145,231,498	43,450,319
EXPENDITURES			
Current:			
0011	Instruction	78,822,540	-
0012	Instructional resources and media services	1,174,026	-
0013	Curriculum and instructional staff development	793,957	-
0021	Instructional leadership	2,111,337	-
0023	School leadership	6,154,232	-
0031	Guidance, counseling, and evaluation services	5,171,818	-
0032	Social work services	-	-
0033	Health services	1,543,221	-
0034	Student transportation	3,843,187	-
0035	Food services	1,842	-
0036	Extracurricular activities	5,208,738	-
0041	General administration	3,937,966	-
0051	Plant maintenance and operations	14,555,705	-
0052	Security and monitoring services	1,827,494	-
0053	Data processing services	2,790,748	-
0061	Community services	98,970	-
Debt service:			
0071	Principal on long-term debt	889,800	1,870,000
0072	Interest on long-term debt	128,382	7,902,374
0073	Issuance costs and fees	-	276,181
Capital outlay:			
0081	Facilities acquisition and construction	-	-
Intergovernmental:			
0093	Payments related to shared services arrangements	142,847	-
0095	Payments to juvenile justice alternative education programs	10,592	-
0099	Other intergovernmental charges	1,399,450	-
6030	Total expenditures	130,606,852	10,048,555
1100	Excess (deficiency) of revenues over (under) expenditures	14,624,646	33,401,764
OTHER FINANCING SOURCES (USES)			
7901	Issuance of refunding bonds	-	39,750,000
7911	Issuance of bonds	-	-
7913	Issuance of leases	1,264,629	-
7916	Premium or discount on issuance of bonds	-	3,789,466
7940	Issuance of subscriptions	9,602	-
7949	Insurance proceeds	10,022	-
8940	Payment to bond refunding escrow agent	-	(43,815,696)
8949	Refunds to taxpayers	(1,439,166)	(507,709)
7080	Total other financing sources (uses)	(154,913)	(783,939)
EXTRAORDINARY ITEMS			
7919	Extraordinary gain	413,837	500,000
8913	Extraordinary loss	(607,534)	-
	Total extraordinary items	(193,697)	500,000
1200	Net change in fund balances	14,276,036	33,117,825
0100	Fund balances - beginning	43,905,922	15,290,392
3000	FUND BALANCES - ENDING	\$ 58,181,958	\$ 48,408,217

The Notes to the Financial Statements are an integral part of this statement.

699		98
Capital Projects	Total	Total
Fund	Nonmajor	Governmental
Funds	Funds	Funds
\$ 3,941,855	\$ 5,730,086	\$ 155,504,588
-	543,768	42,921,372
-	13,913,059	14,384,625
3,941,855	20,186,913	212,810,585
4,883,050	5,939,325	89,644,915
-	124,154	1,298,180
-	1,165,959	1,959,916
-	270,185	2,381,522
-	56,675	6,210,907
-	1,362,834	6,534,652
-	9,627	9,627
-	157,599	1,700,820
3,803,578	130,000	7,776,765
-	8,778,960	8,780,802
99,500	1,154,674	6,462,912
-	23,131	3,961,097
235,321	205,719	14,996,745
-	390,963	2,218,457
702,500	-	3,493,248
-	655,136	754,106
-	-	2,759,800
-	-	8,030,756
1,126,473	-	1,402,654
39,688,326	21,741	39,710,067
-	-	142,847
-	-	10,592
-	-	1,399,450
50,538,748	20,446,682	211,640,837
(46,596,893)	(259,769)	1,169,748
-	-	39,750,000
150,070,000	-	150,070,000
-	-	1,264,629
9,001,473	-	12,790,939
-	-	9,602
-	-	10,022
-	-	(43,815,696)
-	-	(1,946,875)
159,071,473	-	158,132,621
-	-	913,837
-	-	(607,534)
-	-	306,303
112,474,580	(259,769)	159,608,672
101,977,119	5,432,326	166,605,759
\$ 214,451,699	\$ 5,172,557	\$ 326,214,431

College Station Independent School District

Exhibit C-3

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Ten Months Ended June 30, 2025

TOTAL NET CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS (EXHIBIT C-2) \$ 159,608,672

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is capitalized and allocated over their estimated useful lives as depreciation or amortization expense.

Capital assets increased	\$ 46,446,973	
Depreciation and amortization expense	<u>(17,972,885)</u>	28,474,088

The net effect of miscellaneous transactions (transfers, adjustments and dispositions of capital assets or insurance recoveries) is an increase (decrease) to net position. (1,076,162)

The net effect of reclassification of prepaid expenditures for subscriptions is an increase (decrease) to net position. 50,262

Because some property taxes will not be collected for several months after the District's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred inflows for taxes increased (decreased) by this amount this year. 1,425,556

Because some grants will not be collected for several months after the District's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred inflows for grants increased (decreased) by this amount this year. 126,190

Issuance of long-term debt provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.

Issuance of bonds, at par value	\$ (189,820,000)	
Issuance of bonds, (premium) discount	(12,790,939)	
Issuance of subscriptions payable	(9,602)	
Issuance of leases	<u>(1,264,629)</u>	(203,885,170)

Payment to escrow agent to refund bonds from refunding proceeds. 43,815,696

Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Repayment of bonds payable principal	\$ 2,420,794	
Repayment of subscription payable principal	604,819	
Repayment of leases payable principal	<u>284,981</u>	3,310,594

The net effect of the termination of a lease/SBITA is an increase to net position. 345,898

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The changes reported in the statement of activities consists of the following:

Accrued interest on current interest bonds payable <i>(increased) decreased</i>	\$ (4,138,458)	
Amortization of bond premium	1,633,402	
Amortization of deferred charge on refundings	(472,475)	
Amortization of deferred gain on refundings	<u>5,044</u>	(2,972,487)

An internal service fund is used by the District to charge the costs of workers' compensation benefits to the individual funds. The net activity of the internal service fund was reported in the government-wide statements. 383,638

The (increase) decrease in arbitrage liability is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. (830,585)

The (increase) decrease in compensated absences is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. (144,233)

The net change in net pension liability, deferred outflows, and deferred inflows is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following:

Deferred outflows increased (decreased)	\$ (11,524,312)	
Deferred inflows (increased) decreased	2,263,079	
Net pension liability (increased) decreased	<u>5,673,582</u>	(3,587,651)

The net change in net OPEB liability, deferred outflows, and deferred inflows is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following:

Deferred outflows increased (decreased)	\$ 4,761,623	
Deferred inflows (increased) decreased	7,530,464	
Net OPEB liability (increased) decreased	<u>(8,363,600)</u>	3,928,487

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES (EXHIBIT B-1) \$ 28,972,793

The Notes to the Financial Statements are an integral part of this statement.

College Station Independent School District

Statement of Net Position

Proprietary Funds

June 30, 2025

Exhibit D-1

Data Control Codes		Business-type Activities Nonmajor Enterprise Fund		Governmental Activities Internal Service Fund 773 Workers' Compensation
	ASSETS			
	Current assets:			
1110	Cash and cash equivalents	\$ 1,208,877	\$	2,092,936
1120	Current investments	-		590,060
1290	Other receivables	-		7,872
1410	Prepaid items	7,031		-
	Total current assets	1,215,908		2,690,868
	Noncurrent assets:			
	Capital assets:			
1530	Furniture and equipment	62,642		-
1570	Accumulated depreciation	(7,902)		-
	Total noncurrent assets	54,740		-
1000	Total assets	1,270,648		2,690,868
	LIABILITIES			
	Current liabilities:			
2110	Accounts payable	100,332		-
2160	Accrued wages payable	201		-
2300	Unearned revenue	222,303		-
2123	Claims payable - due within one year	-		380,193
2000	Total liabilities	322,836		380,193
	NET POSITION			
3200	Net investment in capital assets	54,740		-
3900	Unrestricted	893,072		2,310,675
3000	TOTAL NET POSITION	\$ 947,812	\$	2,310,675

The Notes to the Financial Statements are an integral part of this statement.

College Station Independent School District

Statement of Revenues, Expenses, and Changes
in Net Position – Proprietary Funds
For the Ten Months Ended June 30, 2025

Exhibit D-2

Data Control Codes		Business-type Activities Nonmajor Enterprise Fund		Governmental Activities Internal Service Fund 773 Workers' Compensation
	OPERATING REVENUES			
5739	Tuition	\$ 2,462,205	\$	-
5754	Interfund service provided	-		439,443
5020	Total revenues	2,462,205		439,443
	OPERATING EXPENSES:			
6100	Payroll costs	1,783,806		52,717
6200	Professional and contracted services	32,137		-
6300	Supplies and materials	36,769		-
6400	Other operating costs	256,857		102,828
6030	Total expenses	2,109,569		155,545
	Operating income (loss)	352,636		283,898
	NONOPERATING REVENUES (EXPENSES)			
7955	Earnings from temporary deposits and investments	-		99,740
8030	Total nonoperating revenues (expenses)	-		99,740
1300	Change in net position	352,636		383,638
0100	Net position - beginning	595,176		1,927,037
3300	NET POSITION - ENDING	\$ 947,812	\$	2,310,675

The Notes to the Financial Statements are an integral part of this statement.

College Station Independent School District**Exhibit D-3**

Statement of Cash Flows

Proprietary Funds

For the Ten Months Ended June 30, 2025

	Business-type Activities Nonmajor Enterprise Fund	Governmental Activities Internal Service Fund 773 Workers' Compensation
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from user charges	\$ 2,621,903	\$ 439,443
Cash payments for employees services and benefits	(1,857,337)	(52,717)
Cash payments for claims	-	(225,445)
Cash payments for other operating expenses	(250,246)	(15,360)
Net cash provided by (used for) operating activities	514,320	145,921
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	-	99,740
Purchase of investments	-	(21,782)
Net cash provided by (used for) investing activities	-	77,958
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(54,740)	-
Net cash provided by (used for) capital and related financing activities	(54,740)	-
Net increase (decrease) in cash and cash equivalents	459,580	223,879
Cash and cash equivalents at the beginning of the year	749,297	1,869,057
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,208,877</u>	<u>\$ 2,092,936</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Operating income (loss)	\$ 352,636	\$ 283,898
Effect of increases and decreases in current assets and liabilities:		
(Increase) decrease in other receivables	-	965
(Increase) decrease in prepaid items	(7,031)	65,433
Increase (decrease) in accounts payable	82,548	(8,436)
Increase (decrease) in accrued wages payable	(73,531)	-
Increase (decrease) in unearned revenue	159,698	-
Increase (decrease) in claims payable	-	(195,939)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>\$ 514,320</u>	<u>\$ 145,921</u>

The Notes to the Financial Statements are an integral part of this statement.

College Station Independent School District

Statement of Fiduciary Net Position

Fiduciary Fund

June 30, 2025

Exhibit E-1

	Custodial Fund
ASSETS	
Cash and cash equivalents	\$ 507,036
Other receivables	<u>2,775</u>
Total assets	509,811
LIABILITIES	
Accounts payable	<u>10,816</u>
Total liabilities	10,816
NET POSITION	
Restricted for: Student activity	<u>498,995</u>
TOTAL NET POSITION	<u><u>\$ 498,995</u></u>

The Notes to the Financial Statements are an integral part of this statement.

College Station Independent School District**Exhibit E-2**

Statement of Changes in Fiduciary Net Position

Fiduciary Fund

For the Ten Months Ended June 30, 2025

	Custodial Fund
ADDITIONS	
Contributions and gifts	\$ 66,142
Fundraising activity	188,891
Student club fees	31,586
Investment earnings	7,502
Total additions	294,121
DEDUCTIONS	
Student activities	227,233
Administrative expense	1,215
Beneficiary payments	21,132
Total deductions	249,580
Net change in fiduciary net position	44,541
Net position - beginning of year	454,454
TOTAL NET POSITION	<u><u>\$ 498,995</u></u>

The Notes to the Financial Statements are an integral part of this statement.

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College Station Independent School District

Notes to the Financial Statements

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The College Station Independent School District (the District) is governed by a seven-member board of trustees (the Board), which has governance responsibilities over all activities related to public elementary and secondary education within the District. Members of the Board are elected by the public, have authority to make decisions, appoint management and significantly influence operations, and have primary accountability for fiscal matters; the District is not included in any other governmental reporting entity.

House Bill 98 enacted by the 76th Legislature of the state of Texas allowed school districts to change their fiscal year-end from August 31 to June 30 beginning with the 2001-2002 fiscal year. The District elected to take advantage of this opportunity and chose to change its fiscal year beginning with the 2024-2025 reporting period. As such, the financial statements are presented for a ten-month period of September 1, 2024 through June 30, 2025.

B. Description of Government-wide 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 nonfiduciary activities of the primary government (the District). All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support.

C. Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the District's enterprise funds. 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.

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

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those accounted for in another fund.

The *debt service fund* is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

The *capital projects fund* accounts for the acquisition and construction of the District's major capital facilities, other than those financed by proprietary funds.

College Station Independent School District

Notes to the Financial Statements

Additionally, the District reports the following fund types:

The *special revenue funds* are used to account for the proceeds of specific revenue sources (other than those identified as a major fund) that are restricted or committed to expenditures for specific purposes.

The *enterprise funds* account for the District's operation of a before and after school care program (Kids Klub) and summer programs (Community Education and Sports Camps). These funds are supported principally by revenues generated through program fees.

The *internal service fund* accounts for risk management services claims for workers' compensation claims and administrative expenses provided to other departments or agencies of the District.

The *custodial fund* accounts for assets held by the District for student organizations or for scholarships. The fund is fiduciary in nature and is not used for the benefit of the District.

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in business-type activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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.

The 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. Expenditures generally are recorded when a liability is incurred, as required under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases and subscriptions are reported as other financing sources.

College Station Independent School District

Notes to the Financial Statements

Interest associated with the current fiscal period is all considered to be susceptible to accrual and has been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 120 days of year end). All other revenue items, including property taxes, are considered to be measurable and available only when cash is received by the District.

The proprietary and custodial funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand and bank demand or time deposits with original maturities of three months or less from the date of acquisition.

2. Investments

Investments for the District, except for certain investment pools, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost or fair value.

3. Inventories and Prepaid Items

Inventories are valued at cost using the average cost method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

4. Capital Assets

Capital assets, which include land and improvements, construction in progress, buildings and improvements, furniture and equipment, and right to use assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The District's infrastructure includes parking lots and sidewalks associated with various buildings. The cost of the infrastructure was initially capitalized with the building cost and is being depreciated over the same useful life as the building. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the District chose to include all such items regardless of their acquisition date or amount. The District was able to estimate the historical cost for the initial reporting of these assets. As the District constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

College Station Independent School District

Notes to the Financial Statements

Right to use assets are amortized over the duration of the lease using the straight-line method. Land and improvements and construction in progress are not depreciated. The buildings and improvements and furniture and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Capital Asset Classes	Lives
Buildings and improvements	5 - 47
Furniture and equipment	5 - 7
Right-to-use lease assets	Shorter of lease term or useful life
Right-to-use subscription assets	Shorter of subscription term or useful life

5. Leases

Lessee

The District is a lessee for noncancellable leases of property and equipment. The District recognizes a lease liability, reported with long-term debt, and a right-to-use lease asset (lease asset), reported with other capital assets, in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of \$10,000 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 the shorter of the lease term or 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, variable payments fixed in substance or that depend on an index or a rate, purchase option price that the District is reasonably certain to exercise, lease incentives receivable from the lessor, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

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

6. Subscription-Based Information Technology Arrangements (SBITAs)

The District has noncancellable contracts with SBITA vendors for the right to use information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets). The District recognizes a subscription liability, reported with long-term debt, and a right-to-use subscription asset (an intangible asset), reported with other capital assets, in the government-wide financial statements. The District recognizes subscription liabilities with an initial, individual value of \$10,000 or more.

College Station Independent School District

Notes to the Financial Statements

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

Key estimates and judgments related to SBITAs include how the District determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription 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 subscription term includes the noncancellable period of the SBITA.
- Subscription payments included in the measurement of the subscription liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or a rate, termination penalties if the District is reasonably certain to exercise such options, subscription contract incentives receivable from the SBITA vendor, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

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

7. *Deferred Outflows/Inflows of Resources*

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until then. Deferred inflows of resources represent an acquisition of net position/fund balance that applies to a future period(s) and will not be recognized as an inflow of resource (revenue) until that time.

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension and OPEB activities are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and OPEB plan, except for projected and actual earnings differences on investments which are amortized on a closed basis over a 5-year period.
- District contributions to the pension and OPEB plans after the measurement date of each plan are recognized in the subsequent fiscal year.
- Deferred charge/gain on refunding is amortized over the shorter of the life of the refunded or refunding debt.
- Unavailable property tax revenues are recognized in the period the amount becomes available.
- Unavailable grant revenues are recognized in the period the amount becomes available.

College Station Independent School District

Notes to the Financial Statements

8. *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 to be used as time off or settled (for example paid in cash to the employee or payment to an employee benefit account) during or upon separation from employment. Based on the criteria listed, the following types of leave qualify for liability recognition for compensated absences – state personal leave, sick leave, and vacation. The liability for compensated absences is reported as incurred in the government-wide financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

State Personal Leave

The District is required under Texas Education Code 22.003 to provide eligible employees with a minimum of five days of personal leave per year (state leave) with no limit on accumulation and no restrictions on transfer between Districts. State leave benefits are eligible for payment upon separation from employment, with limitations.

Sick Leave

The District's policy provides permits employees to accumulate earned but unused sick leave benefits, with no limit on accumulation. Sick leave benefits are eligible for payment upon separation from employment, with limitations.

Vacation

The District's policy permits employees to accumulate earned but unused vacation benefits, with limits on accumulation. Vacation benefits are eligible for payment upon separation from employment, with limitations.

A liability for the estimated value of leave benefits that will be paid upon separation of service or used by employees as time off is included in the liability for compensated absences.

9. *Pension*

The fiduciary net position of the Teacher Retirement System of Texas (TRS) Pension 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 pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS 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.

10. *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.

College Station Independent School District

Notes to the Financial Statements

11. Net Position Policies

Net position of governmental activities is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District classifies net position as follows:

Net investment in capital assets – the component of net position that reports capital assets, net of accumulated depreciation and amortization, and net of related debt, excluding unspent proceeds, that is directly attributable to the acquisition, construction or improvement of these capital assets.

Restricted – the component of net position that is constrained for specific purposes which are externally imposed by providers, such as creditors or amounts restricted due to constitutional provisions or enabling legislation. This classification includes retirement of long-term debt, and other federal and state grants.

Unrestricted – the component of net position that includes the residual difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources that is not classified in the categories mentioned above.

12. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

13. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District classifies governmental fund balances as follows:

Non-spendable – includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes prepaid items and inventories.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts restricted due to constitutional provisions or enabling legislation. This classification includes retirement of long-term debt, construction programs and other federal and state grants.

Committed – includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The board of trustees (the Board) is the highest level of decision-making authority for the District that can, by board action or adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the board action or resolution remains in place until a similar action is taken (the board action or adoption of another resolution) to remove or revise the limitation.

Assigned – includes fund balance amounts that are self-imposed by the District to be used for specific purposes, but do not meet the criteria to be classified as non-spendable, restricted, or committed. The Board has, by policy, authorized the superintendent or his/her designee to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

College Station Independent School District

Notes to the Financial Statements

Unassigned – includes residual positive fund balance within the general fund which has not been classified within the other above-mentioned categories. The general fund should be the only fund that reports a positive unassigned fund balance. Unassigned fund balance may also include deficit balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The District shall strive to maintain an assigned and unassigned fund balance in the general operating fund at or near three months operating expenditures.

14. Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as *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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

Property values are determined by the County Appraisal District as of January 1 of each year. Prior to September 1 of each year (July 1 starting with the 2025-2026 reporting period), the District must adopt its annual budget and as soon thereafter as practicable, shall adopt a tax rate thus creating the tax levy. Property taxes for the current calendar year are levied on approximately October 1 of each year and are payable by January 31 of the following year. Property tax receivables are recorded as of the date levied. Unpaid taxes become delinquent on February 1 and a tax lien on real property is created as of January 1 of each year. Additionally, the District offers taxpayers the option of paying taxes in two installments. If this option is elected, the first half must be paid by November 30 and the final payment is due by June 30. Under this option, taxes are not delinquent until July 1.

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

H. Use of Estimates

The presentation 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, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

College Station Independent School District

Notes to the Financial Statements

I. Data Control Codes

The Data Control Codes refer to the account code structure prescribed by Texas Education Agency (TEA) in the *Financial Accountability System Resource Guide*. TEA requires school districts to display these codes in the financial statements filed with TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

J. Implementation of New Accounting Standards

GASB Statement No. 101, *Compensated Absences* (GASB 101), improves the information needs of financial statements users by updating the recognition and measurement guidance for compensated absences under a unified model and amending certain previously required disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2023, with earlier application encouraged. GASB 101 was implemented in the District's fiscal period 2025 financial statements with a restatement of (\$12,918,234) to net position as of September 1, 2024 to reflect the changes adopted to conform to the new standard as described in Note 5.

GASB Statement No. 102, *Certain Risk Disclosures* (GASB 102), improves financial reporting by providing users of financial statements with essential information regarding certain concentrations of constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. The requirements of this statement are effective for reporting periods beginning after June 15, 2024, with earlier application encouraged. GASB 102 was implemented in the District's fiscal period 2025 financial statements with no impact to amounts or disclosures previously reported.

K. Recent Accounting Pronouncements

GASB Statement No. 103, *Financial Reporting Model Improvements* (GASB 103), improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This statement also addresses certain application issues. The requirements of this statement are effective for reporting periods beginning after June 15, 2025, with earlier application encouraged. GASB 103 will be implemented in the District's fiscal year 2026 financial statements and the impact has not yet been determined.

GASB Statement No. 104, *Disclosure of Certain Capital Assets* (GASB 104), establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note disclosures. It also establishes requirements for capital assets held for sale, including additional disclosures for those capital assets. The requirements of this statement are effective for reporting periods beginning after June 15, 2025, with earlier application encouraged. GASB 104 will be implemented in the District's fiscal year 2026 financial statements and the impact has not yet been determined.

College Station Independent School District

Notes to the Financial Statements

Note 2. Stewardship, Compliance, and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, National School Breakfast and Lunch Program special revenue fund, and debt service fund. All annual appropriations lapse at fiscal year end. The following procedures are followed in establishing the budgetary data reflected in the financial statements.

- 1. Prior to August 20 (June 20 starting with the 2025-2026 reporting period) of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1 (July 1 starting with the 2025-2026 reporting period). The operating budget includes proposed expenditures and the means of financing them.
- 2. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
- 3. Prior to September 1 (July 1 starting with the 2025-2026 reporting period), the budget is legally enacted through passage of a resolution by the Board.

The appropriated budget is prepared by fund, function, and campus/department. The District's campus/department heads may make transfers of appropriations within a campus/department. Transfers of appropriations between campus/departments require the approval of the District's management. Transfers of appropriations between functions require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level within a fund.

B. Excess of Expenditures Over Appropriations

For the ten months ended June 30, 2025, expenditures exceeded appropriations in the following function:

Fund	Function	Final Budget	Actual	Variance
General fund	Interest on long-term debt	\$ -	\$ 128,382	\$ (128,382)

The District exceeded its final budget due to unanticipated reclassification of these expenditures during the period-end financial statement closing process.

C. Encumbrances

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as restricted, committed, or assigned fund balances as appropriate. The encumbrances do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

Encumbrances included in governmental fund balances are as follows:

	Encumbrances Included in:
	Restricted Fund Balance
Capital projects fund	\$ 149,736,415
Total encumbrances	\$ 149,736,415

College Station Independent School District

Notes to the Financial Statements

Deficit Fund Equity

As of June 30, 2025, the District reported a deficit of \$126,190 in the Head Start special revenue fund due to expenditure-driven grant reimbursements not collected within the availability period for this revenue source after period-end.

Note 3. Detailed Notes on All Funds

A. Deposits and Investments

Cash Deposits

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas School Depository Act. The depository bank pledges securities which comply with state law and these securities are held for safekeeping and trust with the District's and the depository banks' agent bank. The pledged securities shall be in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Investments

The District's investment policy is in accordance with the Public Funds Investment Act, the Public Funds Collateral Act, and federal and state laws. State law and District policy limits credit risk by allowing investing in:

1. Obligations of, or guaranteed by governmental entities as permitted by the Public Funds Investment Act;
2. Certificates of deposit and share certificates;
3. Fully collateralized repurchase agreements;
4. Securities lending program as permitted by the Public Funds Investment Act;
5. Bankers acceptances with a stated maturity of 270 days or fewer from the date of issuance;
6. Commercial paper, if it has a stated maturity of 365 days or fewer from the date of its issuance and is rated not less than A-1 or P-1 or an equivalent rating by at least
 - two nationally recognized credit rating agencies; or
 - one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state;
7. No-load mutual funds, except for bond proceeds, and no-load money market mutual funds, as permitted by the Public Funds Investment Act;
8. A guaranteed investment contract (for bond proceeds only) which meets the criteria and eligibility requirements established by the Public Funds Investment Act;
9. Public funds investment pools as permitted by the Public Funds Investment Act.

College Station Independent School District

Notes to the Financial Statements

The District's investments are in investment pools, are measured at amortized cost or Net Asset Value (NAV) and are not required to be categorized in the fair value hierarchy as presented in the table below. The District's investment balances, weighted average maturity, and rating of such investments are as follows:

	June 30, 2025	Percent of Total Investments	Weighted Average Maturity (Days)	Rating
Investments measured at amortized cost:				
Investment pools:				
TexPool	\$ 896,143	0%	38	AAAm*
Lone Star - government overnight fund	130,154	0%	28	AAAm*
Lone Star - corporate overnight fund	8,614,312	4%	32	AAAm*
Investments measured at Net Asset Value (NAV):				
Investment pools:				
Texas CLASS	219,786,228	96%	37	AAAm*
Texas CLASS Government	114,039	0%	18	AAAm*
Total value	\$ 229,540,876	100%		
Portfolio weighted average maturity			37	

* Standard & Poor's Rating

TexPool is duly chartered and overseen by the State Comptroller's Office, administered and managed by Federated Investors, Inc. State Street Bank serves as the custodial bank. The portfolio consists of U.S. Government securities; collateralized repurchase and reverse repurchase agreements; and AAA rated money market mutual funds.

Lone Star is duly chartered by the State of Texas Interlocal Cooperation Act, is administered by First Public, LLC, a subsidiary of the Texas Association of School Boards, and managed by Mellon Investments Corporation and American Beacon Advisors. State Street Bank and Trust Company is the custodial bank.

The TexPool and Lone Star investment pools are external investment pools measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, investment pools must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity and diversification requirements within the investment pool. The investment pools transact at a net asset value of \$1.00 per share, have a weighted average maturity of 60 days or less and weighted average life of 120 days or less, investments held are highly rated by nationally recognized statistical rating organization, have no more than 5% of portfolio with one issuer (excluding US government securities), and can meet reasonably foreseeable redemptions. TexPool and Lone Star have a redemption notice period of one day and no maximum transaction amounts. The investment pools' authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pools' liquidity.

College Station Independent School District

Notes to the Financial Statements

Texas CLASS was created in accordance with the requirements contained in section 2256.016 of the Public Funds Investment Act (PFIA). The Texas CLASS Trust Agreement is an agreement of indefinite term regarding the investment, reinvestment, and withdrawal of local government funds. The parties to the Trust Agreement are Texas local government entities that choose to participate in the Trust (the Participants), Public Trust Advisors, LLC (Public Trust) as Program Administrator, and UMB Bank, N.A. as Custodian.

Texas CLASS is an external investment pool measured at fair value, i.e., net asset value. The investment pool's strategy is to seek preservation of principal, liquidity, and current income through investment in a diversified portfolio of short-term marketable securities. There are no unfunded commitments related to the investment pools. Texas CLASS has a redemption notice period of one day and may redeem daily. The investment pool's authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pool's liquidity. The Texas CLASS portfolio consists of U.S. Government securities; collateralized repurchase and reverse repurchase agreements; AAA rated money market mutual funds; and commercial paper. The Texas CLASS Government portfolio consists of U.S. Government securities; collateralized repurchase and reverse repurchase agreements; and AAA rated money market mutual funds.

Credit Risk

All credit ratings met acceptable levels required by legal guidelines prescribed in both the Public Funds Investment Act and the District's investment policy. At period-end, the District's investments were rated as noted in the previous page.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The District monitors interest rate risk utilizing weighted average maturity analysis. In accordance with its investment policy, the District shall have a maximum dollar weighted maturity of 180 days. The maximum allowable stated maturity of any other individual investment owned by the District is not to exceed one year from the time of purchase.

Concentration of Credit Risk

The District's investment policy does not limit an investment in any one issuer. The investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity, or specific issuer.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2025, the District's bank balance was not exposed to custodial credit risk because it was insured and collateralized with securities held by the District's agent in the District's name.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's investments are held by the District's agent in the District's name for the benefit of the District.

College Station Independent School District

Notes to the Financial Statements

B. Receivables

Tax revenues of the general and debt service fund are reported net of estimated uncollectible amounts. Total change in uncollectible amounts related to revenues of the current period increased (decreased) revenues as follows:

Change in uncollectibles related to general fund property taxes	\$ (35,878)
Change in uncollectibles related to debt service property taxes	<u>(14,220)</u>
Total change in uncollectibles in the current fiscal year	<u>\$ (50,098)</u>

Approximately 99% of the outstanding balance of property taxes receivable is not anticipated to be collected within the next year.

Interfund Receivables, Payables, and Transfers

1. Receivables/Payables

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

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General fund	\$ 10,446,021	\$ 8,150
Capital projects fund	-	9,362,969
Nonmajor governmental funds	<u>8,150</u>	<u>1,083,052</u>
Totals	<u>\$ 10,454,171</u>	<u>\$ 10,454,171</u>

Interfund balances consist of short-term lending/borrowing arrangements that generally result from payroll and other regularly occurring charges that are primarily paid by the general fund and then charged back to the appropriate other fund. Additionally, some lending/borrowing may occur between two or more nonmajor governmental funds.

2. Transfers

Interfund transfers are defined as "flows of assets without equivalent flow of assets in return and without a requirement for repayment." Transfers are the use of funds collected in one fund and are transferred to finance various programs accounted for in other funds. The District reported no interfund transfers for the ten months ended June 30, 2025.

College Station Independent School District

Notes to the Financial Statements

C. Capital Assets

Capital asset activity for the ten months ended June 30, 2025 was as follows:

	Beginning Balance	Additions	Retirements, Transfers, and Adjustments	Ending Balance
Governmental activities:				
Capital assets, not being depreciated and amortized:				
Land and improvements	\$ 25,507,272	\$ -	\$ -	\$ 25,507,272
Construction in progress	25,369,730	38,192,966	(22,286,499)	41,276,197
Total capital assets, not being depreciated and amortized	50,877,002	38,192,966	(22,286,499)	66,783,469
Capital assets, being depreciated and amortized:				
Buildings and improvements	559,330,087	149,569	22,248,820	581,728,476
Furniture and equipment	51,667,251	6,830,207	(229,542)	58,267,916
Right-to-use lease assets - furniture and equipment	308,020	1,264,629	(308,020)	1,264,629
Right-to-use subscription assets	4,131,594	9,602	(513,567)	3,627,629
Total capital assets, being depreciated and amortized	615,436,952	8,254,007	21,197,691	644,888,650
Less accumulated depreciation and amortization for:				
Buildings and improvements	(220,071,690)	(13,883,693)	37,679	(233,917,704)
Furniture and equipment	(37,436,375)	(2,955,047)	229,542	(40,161,880)
Right-to-use lease assets - furniture and equipment	(133,718)	(406,936)	287,728	(252,926)
Right-to-use subscription assets	(1,084,364)	(727,209)	196,988	(1,614,585)
Total accumulated depreciation and amortization	(258,726,147)	(17,972,885)	751,937	(275,947,095)
Total capital assets, being depreciated and amortized, net	356,710,805	(9,718,878)	21,949,628	368,941,555
Governmental activities capital assets, net	\$ 407,587,807	\$ 28,474,088	\$ (336,871)	\$ 435,725,024
Business-type activities:				
Capital assets, being depreciated:				
Furniture and equipment	\$ 7,902	\$ 54,740	\$ -	\$ 62,642
Less accumulated depreciation:				
Furniture and equipment	(7,902)	-	-	(7,902)
Business-type activities capital assets, net	\$ -	\$ 54,740	\$ -	\$ 54,740

College Station Independent School District

Notes to the Financial Statements

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

Governmental activities:		
11	Instruction	\$ 11,578,502
12	Instructional resources and media services	233,399
13	Curriculum and instructional staff development	48,571
21	Instructional leadership	155
23	School leadership	632,749
31	Guidance, counseling, and evaluation services	250,332
33	Health services	81,211
34	Student transportation	1,101,967
35	Food services	295,141
36	Extracurricular activities	1,646,344
41	General administration	236,091
51	Plant maintenance and operations	843,677
52	Security and monitoring services	226,254
53	Data processing services	768,446
61	Community services	30,046
Total depreciation and amortization expense - governmental activities		\$ 17,972,885

Construction Commitments

The District has active construction projects as of June 30, 2025. The projects include the construction and equipment of school facilities. At period end, the District's commitments with contractors are as follows:

Project	Remaining Commitment
CSHS addition/renovation	\$ 39,475,635
AMCHS addition/renovation	35,852,850
AMCHS stadium renovations	26,539,980
College Station CTE Facility	26,148,905
Rock Prairie Elementary addition/renovation	10,958,508
CSISD baseball & softball fields	5,844,933
AMCHS building roof replacement	2,938,723
CSISD MS field improvements	1,976,881
Total	\$ 149,736,415

The commitment for construction and equipment of school facilities is being financed by general obligation bonds secured by ad valorem tax revenues.

D. Long-term Liabilities

The District's long-term liabilities consist of bond indebtedness, leases payable, subscriptions payable, arbitrage liability, self-insured workers' compensation, compensated absences, and net pension and OPEB liability. The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund. The current requirements for the self-funded workers' compensation claims are accounted for in the internal service fund. Other long-term liabilities are generally liquidated with resources of the general fund.

College Station Independent School District

Notes to the Financial Statements

Changes in Long-term Liabilities

Long-term liability activity for the ten months ended June 30, 2025, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 393,685,000	\$ 189,820,000	\$ (45,095,000)	\$ 538,410,000	\$ 28,485,000
Issuance premiums	24,630,619	12,790,939	(4,298,121)	33,123,437	-
Total bonds payable, net	418,315,619	202,610,939	(49,393,121)	571,533,437	28,485,000
Leases payable	90,733	1,264,629	(314,300)	1,041,062	246,518
Subscriptions payable	2,911,649	9,602	(921,398)	1,999,853	644,447
Arbitrage liability	1,635,355	895,119	(64,534)	2,465,940	-
Workers' compensation	576,132	-	(195,939)	380,193	380,193
Compensated absences*	13,857,054	144,233	-	14,001,287	5,147,965
Net pension liability	51,908,705	5,072,265	(10,745,847)	46,235,123	-
Net OPEB liability	23,235,153	9,539,081	(1,175,481)	31,598,753	-
Governmental activities long-term liabilities	\$ 512,530,400	\$ 219,535,868	\$ (62,810,620)	\$ 669,255,648	\$ 34,904,123

* Beginning balance was adjusted to reflect implementation of GASB Statement No. 101, *Compensated Absences*. Compensated absences are reported as a net change for the period as allowed under the provisions of GASB 101, paragraph 30.

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities.

General Obligation Bonds

The District issues general obligation bonds to provide funds for the construction and equipment of school facilities (SCH) and to refund general obligation bonds (REF). General obligation bonds are direct obligations and pledge the full faith and credit of the District.

The following is a summary of changes in the general obligation bonds for the ten months ended:

Series	Interest Rate	Original Issue	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance
2014 SCH	3.00-5.00%	78,790,000	2039	\$ 43,775,000	\$ -	\$ (31,465,000)	\$ 12,310,000
2015 REF	2.00-5.00%	46,455,000	2028	12,980,000	-	-	12,980,000
2016 SCH	2.00-5.00%	64,100,000	2042	45,235,000	-	(11,760,000)	33,475,000
2016 REF	1.75-5.00%	37,345,000	2035	25,070,000	-	-	25,070,000
2017 SCH	3.00-5.00%	65,450,000	2043	54,255,000	-	-	54,255,000
2017 REF	3.00-5.00%	46,125,000	2037	45,510,000	-	-	45,510,000
2022 SCH	2.25 - 5.00%	73,470,000	2047	72,415,000	-	(1,870,000)	70,545,000
2024 SCH	4.00-5.00%	94,445,000	2050	94,445,000	-	-	94,445,000
2024 SCH & REF	5.00%	189,820,000	2051	-	189,820,000	-	189,820,000
Totals				\$ 393,685,000	\$ 189,820,000	\$ (45,095,000)	\$ 538,410,000

College Station Independent School District

Notes to the Financial Statements

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

Year Ending June 30,	Principal	Interest	Total Requirements
2026	\$ 28,485,000	\$ 19,065,660	\$ 47,550,660
2027	22,610,000	21,104,844	43,714,844
2028	21,545,000	20,133,644	41,678,644
2029	21,445,000	19,173,969	40,618,969
2030	22,430,000	18,142,419	40,572,419
2031	23,905,000	17,092,344	40,997,344
2032	24,710,000	16,090,309	40,800,309
2033	22,380,000	14,949,538	37,329,538
2034	26,990,000	13,981,875	40,971,875
2035	28,035,000	12,945,778	40,980,778
2036	27,105,000	11,891,400	38,996,400
2037	24,050,000	10,892,306	34,942,306
2038	22,535,000	9,971,444	32,506,444
2039	19,905,000	9,135,747	29,040,747
2040	19,870,000	8,345,750	28,215,750
2041	20,665,000	7,536,547	28,201,547
2042	21,505,000	6,675,381	28,180,381
2043	18,870,000	5,870,894	24,740,894
2044	15,565,000	5,178,675	20,743,675
2045	16,225,000	4,506,475	20,731,475
2046	16,910,000	3,798,819	20,708,819
2047	17,635,000	3,063,813	20,698,813
2048	14,175,000	2,296,069	16,471,069
2049	14,845,000	1,609,906	16,454,906
2050	15,550,000	891,056	16,441,056
2051	10,465,000	261,624	10,726,624
Totals	\$ 538,410,000	\$ 264,606,286	\$ 803,016,286

As of June 30, 2025, the District has \$96,175,000 of authorized but unissued bonds available from the November 2023 bond elections.

In June 2025, the District issued \$189,820,000 of Unlimited Tax Building and Refunding Bonds, Series 2025. The issuance refunded \$43,225,000 of the District's Series 2014 and 2016 bonds and was initiated to provide long-term financing at fixed rates and to pay the costs of issuance related to the bonds. The net carrying value of the old debt was more than the reacquisition price by \$1,523,229. This amount is amortized over the life of the new debt. The refunding resulted in a debt service savings of \$1,754,476 and an economic gain of \$1,336,888. The Bonds are scheduled to mature on August 15, 2050.

College Station Independent School District

Notes to the Financial Statements

The District defeased certain bonds through the issuance of new bonds and placed the proceeds in an irrevocable trust to provide for all future debt service payments of the old bonds. Accordingly, the trust account securities and the liability for the defeased bonds are not included in the District's basic financial statements. As of June 30, 2025, the remaining outstanding defeased bonds to be called for redemption was \$43,225,000.

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed or are not performed correctly, a liability to the District could result. The District periodically engages an arbitrage consultant to perform the calculations in accordance with the Internal Revenue Service's rules and regulations. The District identified arbitrage liability of \$2,465,940 as of June 30, 2025.

Leases Payable

The District has entered into a lease agreement as lessee. The lease allows the right-to-use copiers over the term of the lease. The District is required to make monthly payments at its incremental borrowing rate or the interest rate stated or implied within the leases. The lease rate, term and ending lease liability are as follows:

	Interest Rate(s)	Lease Term in Years	Ending Balance
Governmental activities:			
Copiers	4.02%-4.99%	4.0-5.0	\$ 1,041,062
Total governmental activities			\$ 1,041,062

The future principal and interest lease payments as of period end are as follows:

Year Ending June 30,	Principal	Interest	Total Requirements
2026	\$ 246,518	\$ 26,971	\$ 273,489
2027	248,613	24,877	273,490
2028	250,725	22,765	273,490
2029	252,855	20,634	273,489
2030	42,351	3,231	45,582
Totals	\$ 1,041,062	\$ 98,478	\$ 1,139,540

The value of the right-to-use assets as of the end of the current period was \$1,264,629 and had accumulated amortization of \$252,926.

College Station Independent School District

Notes to the Financial Statements

Subscription Based Information Technology Arrangements (SBITA)

The District has entered into multiple SBITAs that allow the right-to-use the SBITA vendor's information technology software over the subscription term. The District is required to make annual payments at its incremental borrowing rate or the interest rate stated or implied within the SBITAs. The SBITA rate, term and ending subscription liability are as follows:

	Interest Rate(s)	SBITA Term in Years	Ending Balance
Governmental activities:			
Software subscriptions	4.19%-4.30%	2.0-4.0	\$ 1,999,853
Total governmental activities			\$ 1,999,853

The future principal and interest SBITA payments as of period end are as follows:

Year Ending June 30,	Principal	Interest	Total Requirements
2026	\$ 644,447	\$ 86,480	\$ 730,927
2027	649,951	56,791	706,742
2028	705,455	29,559	735,014
Totals	\$ 1,999,853	\$ 172,830	\$ 2,172,683

The value of the subscription assets as of the end of the current period was \$3,627,629 and had accumulated amortization of \$1,614,586.

E. Fund Balance

Other committed fund balance includes the following commitments of funds:

Governmental funds:	
General fund - insurance reserves	\$ 1,000,000
Campus activity	2,423,827
Total other committed fund balance	\$ 3,423,827

F. Revenues from Local and Intermediate Sources

During the current period, revenues from local and intermediate sources of the governmental funds consisted of the following:

	General	Debt Service	Capital Projects Funds	Nonmajor Governmental Funds	Totals
Property taxes	\$ 100,875,652	\$ 39,914,792	\$ -	\$ -	\$ 140,790,444
Investment income	2,710,719	1,287,877	3,888,247	110,041	7,996,884
Charges for services	759,766	-	-	3,315,842	4,075,608
Gifts and bequests	115,753	-	-	899,997	1,015,750
Other	168,088	-	53,608	1,404,206	1,625,902
Totals	\$ 104,629,978	\$ 41,202,669	\$ 3,941,855	\$ 5,730,086	\$ 155,504,588

College Station Independent School District

Notes to the Financial Statements

Note 4. Other Information

A. Risk Management

General

Like all public-school districts, the District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has purchased commercial insurance for claims related to all risks.

Health Care Coverage

During the period ended June 30, 2025, employees of the District were covered by Texas Municipal League Health Benefits Pool (the Pool) a cost sharing risk pool. The District paid a minimum of \$472 in premiums per month, per employee to the Pool. Employees, at their option, authorized payroll withholdings to pay premiums for dependents.

Workers’ Compensation

During the period ended June 30, 2025, the District met its statutory workers’ compensation obligations by participating as a self-funded member of the Texas Association of School Boards (TASB) Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

As a self-funded member of the Fund, the District is solely responsible for all claim costs, both reported and unreported. The Fund provides administrative services to its self-funded members including claims administration and customer service.

The District is protected against higher-than-expected claims costs through the purchase of stop loss coverage.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund’s Board of Trustees in February of the following year. The Fund’s audited financial statements as of August 31, 2024, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

The liability estimation requires the estimate of loss development over an extended period of time. Numerous internal and external factors will affect the ultimate settlement value of claims. Due to the inherent uncertainty with regard to the impact of these factors, there can be no guarantee that actual losses will not vary, perhaps significantly, from the estimates. There were no significant reductions in insurance coverage from the prior year or settlements exceeding insurance coverage for each of the past three fiscal years. The following is a summary of the changes in the balances of claims liabilities for workers’ compensation for the past two periods:

	Ten Months Ended 6/30/2025	Year Ended 8/31/2024
Unpaid claims, beginning of fiscal year	\$ 576,132	\$ 765,015
Incurred claims (including IBNRs and changes in provisions)	-	-
Claim payments	(195,939)	(188,883)
Unpaid claims, end of fiscal year	\$ 380,193	\$ 576,132

B. Litigation and Contingencies

The District is generally involved in legal claims or assessments arising principally in the normal course of operations. In the opinion of the District’s management, the District does not expect a loss and such matters will not have a material effect on the District’s financial position, results of operations or liquidity.

College Station Independent School District

Notes to the Financial Statements

The District participates in a number of federal and state financial assistance programs. Although the District's grant programs have been audited in accordance with the provisions of the Single Audit Act through June 30, 2025, these programs are subject to financial and compliance audits by the grantor agencies. The District is also subject to audit by the TEA of the attendance data upon which payments from the agency are based. These audits could result in questioned costs or refunds to be paid back to the granting agencies.

C. Defined Benefit Pension Plan

Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension plan that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS) and 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 TRS's fiduciary net position is available in a separately issued Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://www.trs.texas.gov/learning-resources/publications> ; by writing to TRS at P.O. Box 149676, Austin, TX 78714-0185; or by calling 1-800-223-8778.

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3% (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 where 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 cost of living adjustments (COLAs). Ad hoc postemployment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as previously noted in the Plan Description above.

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

Contributions

Contribution requirements are established or amended pursuant to Article XVI, 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.

College Station Independent School District

Notes to the Financial Statements

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

Rates for such plan fiscal years are as follows:

	Contribution Rates	
	2025	2024
Member	8.25%	8.25%
Non-employer contributing entity (State)	8.25%	8.25%
Employers (District)	8.25%	8.25%

The contribution amounts for the District’s ten months ended June 30, 2025 are as follows:

District contributions	\$ 3,448,013
Member contributions	7,195,517
NECE on-behalf contributions (State)	5,324,153

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.

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 the fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, 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 or all of an employee’s salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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

- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment-after-retirement surcharge.
- Public education employer contribution - all public schools, charter schools and regional education service centers must contribute 1.9% of the member’s salary beginning in fiscal year 2024, gradually increasing to 2.0% in fiscal year 2025.

College Station Independent School District

Notes to the Financial Statements

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

On June 30, 2025, the District reported a liability of \$46,235,123 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 are as follows:

District's proportionate share of the net pension liability	\$ 46,235,123
State's proportionate share of the net pension liability associated with the District	<u>65,805,666</u>
Total	<u><u>\$ 112,040,789</u></u>

The net pension liability was measured as of August 31, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as August 31, 2023 rolled forward to August 31, 2024. The District's proportion of the net pension liability was based on the District'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 the measurement date of August 31, 2024, the District's proportion of the collective net pension liability was 0.0756908%, which was an increase of 0.0001217% from its proportion measured as of August 31, 2023.

For the ten months ended June 30, 2025, the District recognized pension expense of \$14,900,541 and revenue of \$7,864,877 for support provided by the State.

On June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,548,417	\$ 360,981
Changes of assumptions	2,387,218	320,044
Difference between projected and actual earnings on pension plan investments	281,047	-
Changes in proportion and differences between District's contributions and the proportionate share of contributions	4,201,681	2,108,654
District contributions paid subsequent to the measurement date	<u>3,448,013</u>	<u>-</u>
Totals	<u><u>\$ 12,866,376</u></u>	<u><u>\$ 2,789,679</u></u>

College Station Independent School District

Notes to the Financial Statements

\$3,448,013 reported as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	
2026	\$ 584,588
2027	5,736,363
2028	973,127
2029	(828,395)
2030	163,001
Total	\$ 6,628,684

Actuarial Methods and Assumptions

The actuarial valuation of the total pension liability was performed as of August 31, 2023. Update procedures were used to roll forward the total pension liability to August 31, 2024 and was determined using the following actuarial methods and assumptions:

Actuarial cost method	Individual entry age normal
Asset valuation method	Fair value
Single discount rate	7.00%
Long-term expected rate of return	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
Ad hoc postemployment benefit changes	None
Mortality rates	The post-retirement mortality rates for healthy lives were based on the 2021 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the most recently published projection scale ("U-MP"). The active mortality rates were based on the published PUB(2010) Mortality Tables for Teachers, below median, also with full generational mortality.

College Station Independent School District

Notes to the Financial Statements

The actuarial methods and assumptions are primarily based on a study of actual experience for the four-year period ending August 31, 2021 and adopted in July 2022.

Discount Rate and Long-term Expected Rate of Return

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 cash flows used to determine the single discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity will be made at the rates set by the legislature in the 2019 session. It is assumed that future employer and state contributions will be 9.54 percent of payroll in fiscal year 2025 and thereafter. This includes all employer and state contributions for active and rehired retirees.

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

The long-term 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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in TRS's target asset allocation as of August 31, 2024 are summarized below:

Asset Class	Target Allocation**	Long-term Expected Geometric Real Rate of Return***	Expected Contribution to Long-term Portfolio Returns
Global equity:			
U.S.	18.0%	4.4%	1.0%
Non-U.S. developed	13.0%	4.2%	0.8%
Emerging markets	9.0%	5.2%	0.7%
Private equity	14.0%	6.7%	1.2%
Stable value:			
Government bonds	16.0%	1.9%	0.4%
Absolute return*	-	4.0%	-
Stable value hedge funds	5.0%	3.0%	0.2%
Real return:			
Real estate	15.0%	6.6%	1.2%
Energy, natural resources and infrastructure	6.0%	5.6%	0.4%
Commodities	-	2.5%	-
Risk parity:			
Risk parity	8.0%	4.0%	0.4%
Asset allocation leverage:			
Cash	2.0%	1.0%	-
Asset allocation leverage	-6.0%	1.3%	-0.1%
Inflation expectation			2.4%
Volatility drag****			-0.7%
Total	100.0%		7.9%

* Absolute return includes credit sensitive investments.

** Target allocations are based on the FY 2024 policy model.

*** Capital market assumptions (CMA) come from 2024 SAA Study CMA Survey (as of 12/31/2023).

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

College Station Independent School District

Notes to the Financial Statements

Discount Rate Sensitivity Analysis

The following table presents the District’s proportionate share of the TRS net pension liability calculated using the discount rate of 7.00%, as well as what the District’s proportionate share of the net pension liability would be if it was calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
District's proportionate share of the net pension liability	\$ 73,849,207	\$ 46,235,123	\$ 23,354,891

Change of Assumptions Since the Prior Measurement Date

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

Change of Benefit Terms Since the Prior Measurement Date

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.

D. Defined Other Postemployment Benefit Plan

Plan Description

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined benefit Other Postemployment Benefit (OPEB) plan that has a special funding situation. TRS-Care was established in 1986 by the Texas Legislature and is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees in accordance with the Texas Insurance Code, Chapter 1575. The Board may adopt rules, plans, procedures and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

OPEB Plan Fiduciary Net Position

Detailed information about the TRS-Care’s fiduciary net position is available in the separately issued TRS Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://www.trs.texas.gov/learning-resources/publications>; by writing to TRS at P.O. 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 cost of living adjustments (COLAs). The Board of Trustees of TRS 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.

College Station Independent School District

Notes to the Financial Statements

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 school districts based upon public school district payroll. The TRS Board of trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the State's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public or charter school. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act.

Rates for such plan fiscal years are as follows:

	Contribution Rates	
	2025	2024
Active employee	0.65%	0.65%
Non-employer contribution entity (State)	1.25%	1.25%
Employers (District)	0.75%	0.75%
Federal/private funding*	1.25%	1.25%

*Contributions paid from federal funds and private grants are remitted by the employer (District) and paid at the State rate.

The contribution amounts for the District's ten months ended June 30, 2025 are as follows:

District contributions	\$ 781,947
Member contributions	566,920
NECE on-behalf contributions (State)	1,002,287

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

The State of Texas also contributed \$674,829, \$557,887 and \$549,497 in 2025, 2024, and 2023, respectively, for on-behalf payments for Medicare Part D.

College Station Independent School District

Notes to the Financial Statements

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

On June 30, 2025, the District reported a liability of \$31,598,753 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided by 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 are as follows:

District's proportionate share of the net OPEB liability	\$ 31,598,753
State's proportionate share of the net OPEB liability associated with the District	<u>39,592,809</u>
Total	<u><u>\$ 71,191,562</u></u>

The net OPEB liability was measured as of August 31, 2024 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as August 31, 2023 rolled forward to August 31, 2024. 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 the measurement date of August 31, 2024, the employer's proportion of the collective net OPEB liability was 0.1041093%, which was a decrease of -0.0008453% from its proportion measured as of August 31, 2023.

For the ten months ended June 30, 2025, the District recognized net OPEB revenue of \$(8,292,874) due to recognition of deferred inflows in excess of deferred outflows and current year expense. OPEB revenue of \$(5,146,334) was recognized for support provided by the State.

On June 30, 2025, the District reported its proportionate share of the TRS' deferred outflows of resources and deferred inflows of resources related to other postemployment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,056,420	\$ 15,769,491
Changes of assumptions	4,044,267	10,310,307
Difference between projected and actual earnings on OPEB plan investments	-	88,487
Changes in proportion and difference between District's contributions and the proportionate share of contributions	3,175,658	1,853,142
District contributions paid subsequent to the measurement date	<u>781,947</u>	<u>-</u>
Totals	<u><u>\$ 14,058,292</u></u>	<u><u>\$ 28,021,427</u></u>

College Station Independent School District

Notes to the Financial Statements

\$781,947 reported as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30,	
2026	\$ (3,972,269)
2027	(2,541,128)
2028	(3,568,824)
2029	(3,058,561)
2030	(1,631,056)
Thereafter	26,756
Total	\$ (14,745,082)

Actuarial Methods and Assumptions

The actuarial valuation of the total OPEB liability was performed as of August 31, 2023. Update procedures were used to roll forward the total OPEB liability to August 31, 2024.

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The following assumptions used for the valuation of the TRS-Care OPEB liability are identical to the assumptions employed in the August 31, 2023 TRS pension actuarial valuation that was rolled forward to August 31, 2024:

<u>Demographic Assumptions</u>	<u>Economic Assumptions</u>
Rates of mortality	General inflation
Rates of retirement	Wage inflation
Rates of termination	
Rates of disability	

See Note 4.C. for detail on these assumptions. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2021.

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.

The initial medical trend rate was 6.75 percent for non-Medicare retirees. For Medicare retirees, trend rates are higher in the first two years due to anticipated growth but thereafter match those of non-Medicare retirees. The initial prescription drug trend rate was 7.25 percent for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25 percent over a period of 11 years.

College Station Independent School District

Notes to the Financial Statements

The following methods and additional assumptions were used in the TRS-Care OPEB valuation:

Actuarial cost method	Individual entry age normal
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".
Election rates	Normal retirement: 62% participation prior to age 65 and 25% Pre-65 retirees: 30% of pre-65 retirees are assumed to
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Ad hoc postemployment benefit changes	None

Discount Rate

A single discount rate of 3.87% was used to measure the total OPEB liability at August 31, 2024. This was a decrease of 0.26% in the discount rate since the August 31, 2023 measurement date. The plan is essentially a "pay-as-you-go" plan and based on the assumption that contributions are made at the statutorily required rates, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments to current plan members and therefore, the single discount rate is equal to the prevailing municipal bond rate. The source for the rate is the same used for the pension plan.

Sensitivity Analysis of Rates

Discount Rate

The following table presents the District's proportionate share of the TRS-Care net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that was 1% less than and 1% greater than the discount rate that was used (3.87%) in measuring the net OPEB liability.

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
District's proportionate share of the net OPEB liability	\$ 37,540,795	\$ 31,598,753	\$ 26,797,493

Healthcare Cost Trend Rates

The following table presents the District's proportionate share of net OPEB liability using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% lower or 1% higher than the assumed health-care cost trend rate:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 25,732,493	\$ 31,598,753	\$ 39,243,074

College Station Independent School District

Notes to the Financial Statements

Change of Assumptions Since the Prior Measurement Date

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

- The discount rate changed from 4.13% as of August 31, 2023 to 3.87% as of August 31, 2024. Additionally, the tables used to model the impact of aging on the underlying claims were revised.

Change of Benefit Terms Since the Prior Measurement Date

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

E. Shared Services Arrangement

Brazos Valley Regional Day School Program for the Deaf

The District participates in a shared services arrangement, Brazos Valley Regional Day School Program for the Deaf, with numerous districts for the education of students with a hearing impairment. The District neither has a joint ownership interest in capital assets purchased by the fiscal agent, Bryan Independent School District, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent is responsible for the financial activities of the shared services arrangement. The District’s portion of expenditures for the ten months ended June 30, 2025 totaled \$142,847.

F. Nonmonetary Transactions

During 2025, the District received goods purchased by the State of Texas for the benefit of the District through the Technology and Instructional Materials Allotment program. The instructional materials have been recorded in the amount of \$460 in a special revenue fund as both state revenues and expenditures, which represents the amount of consideration given by the State of Texas.

During 2025, the District received goods purchased by the Texas Department of Agriculture (TDA) through the Food Distribution Program (commodities). These commodities have been recorded in the amount of \$605,347 in a special revenue fund as federal revenues, which represents the amount of consideration given by TDA.

G. Extraordinary Items

During 2025, the District reported certain transactions as extraordinary items that are unusual in nature and infrequent in occurrence:

	General Fund	Debt Service Fund
Insurance recovery for water line rupture at Pebble Creek Elementary	\$ 413,837	\$ -
Insurance recovery for misdirected payment on bond redemption	-	500,000
Payments for water line rupture at Pebble Creek Elementary	(607,534)	-
Totals	\$ (193,697)	\$ 500,000

College Station Independent School District

Notes to the Financial Statements

Note 5. Adjustments to and Restatements of Beginning Balances

During the ten months ended June 30, 2025, a change in accounting principles for the adoption of GASB 101, *Compensated Absences*, resulted in a restatement of beginning net position, as follows:

	<u>Government-Wide</u> <u>Governmental</u> <u>Activities</u>
Beginning balance, as previously reported	\$ 74,617,493
Change in accounting principle	<u>(12,918,234)</u>
Beginning balance, as restated	<u>\$ 61,699,259</u>

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Required Supplementary Information (Unaudited)

College Station Independent School District
Schedule of Revenues, Expenditures, and Changes in
Fund Balance – Budget and Actual General Fund
For the Ten Months Ended June 30, 2025

Exhibit G-1

Data Control Codes		1	2	3	
		Budgeted Amounts			Variance with
		Original	Final	Actual	Final Budget
REVENUES					
5700	Local and intermediate sources	\$ 106,908,437	\$ 103,394,912	\$ 104,629,978	\$ 1,235,066
5800	State program revenues	40,344,249	42,357,774	40,129,954	(2,227,820)
5900	Federal program revenues	1,295,000	1,295,000	471,566	(823,434)
5020	Total revenues	148,547,686	147,047,686	145,231,498	(1,816,188)
EXPENDITURES					
Current:					
0011	Instruction	89,283,530	81,576,377	78,822,540	2,753,837
0012	Instructional resources and media services	1,461,555	1,294,046	1,174,026	120,020
0013	Curriculum and instructional staff development	1,758,292	1,130,330	793,957	336,373
0021	Instructional leadership	2,333,298	2,440,177	2,111,337	328,840
0023	School leadership	7,443,740	7,428,130	6,154,232	1,273,898
0031	Guidance, counseling, and evaluation services	6,325,769	6,175,438	5,171,818	1,003,620
0033	Health services	1,995,676	1,930,307	1,543,221	387,086
0034	Student transportation	5,482,598	4,771,412	3,843,187	928,225
0035	Food services	2,258	2,258	1,842	416
0036	Extracurricular activities	5,860,741	5,317,837	5,208,738	109,099
0041	General administration	5,186,794	4,008,692	3,937,966	70,726
0051	Plant maintenance and operations	18,045,045	17,290,045	14,555,705	2,734,340
0052	Security and monitoring services	2,278,817	2,273,463	1,827,494	445,969
0053	Data processing services	4,138,565	3,584,133	2,790,748	793,385
0061	Community services	162,123	122,123	98,970	23,153
Debt service:					
0071	Principal on long-term debt	-	1,003,512	889,800	113,712
0072	Interest on long-term debt	-	-	128,382	(128,382)
Intergovernmental charges:					
0093	Payments related to shared services arrangements	140,000	145,857	142,847	3,010
0095	Payments to juvenile justice alternative education programs	14,000	14,000	10,592	3,408
0099	Other intergovernmental charges	1,626,553	1,426,553	1,399,450	27,103
6030	Total expenditures	153,539,354	141,934,690	130,606,852	11,327,838
1100	Excess (deficiency) of revenues over (under) expenditures	(4,991,668)	5,112,996	14,624,646	9,511,650
OTHER FINANCING SOURCES (USES)					
7913	Issuance of leases	-	-	1,264,629	1,264,629
7940	Issuance of subscriptions	-	-	9,602	9,602
7949	Insurance proceeds	-	-	10,022	10,022
8949	Refunds to taxpayers	-	-	(1,439,166)	(1,439,166)
7080	Total other financing sources (uses)	-	-	(154,913)	(154,913)
EXTRAORDINARY ITEMS					
7919	Extraordinary gain	-	413,837	413,837	-
8913	Extraordinary loss	-	(608,905)	(607,534)	1,371
7080	Total extraordinary items	-	(195,068)	(193,697)	1,371
1200	Net change in fund balance	(4,991,668)	4,917,928	14,276,036	9,358,108
0100	Fund balance - beginning	43,905,922	43,905,922	43,905,922	-
1300	Restatement of beginning fund balance	-	-	-	-
	Fund balance - beginning, as restated	43,905,922	43,905,922	43,905,922	-
3000	FUND BALANCE - ENDING	\$ 38,914,254	\$ 48,823,850	\$ 58,181,958	\$ 9,358,108

The Notes to the Required Supplementary Information are an integral part of this schedule.

College Station Independent School District

Exhibit G-2

Schedule of the District's Proportionate Share of the Net Pension Liability
of a Cost-Sharing Multiple-Employer Pension Plan
Teacher Retirement System of Texas
For The Ten Years Ended*

Year	District's Proportion of Net Pension Liability	District's Proportionate Share of the Net Pension Liability	State's Proportionate Share of the Net Pension Liability Associated with the District	Total	District's Covered Payroll	District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2025	0.0756908%	\$ 46,235,123	\$ 65,805,666	\$ 112,040,789	\$ 106,557,188	43.39%	77.51%
2024	0.0755691%	51,908,705	76,441,554	128,350,259	102,002,006	50.89%	73.15%
2023	0.0691442%	41,049,118	67,923,413	108,972,531	93,618,435	43.85%	75.62%
2022	0.0753375%	19,185,806	30,232,659	49,418,465	91,641,814	20.94%	88.79%
2021	0.0623180%	33,376,266	71,709,152	105,085,418	88,475,028	37.72%	75.54%
2020	0.0716106%	37,225,409	61,296,657	98,522,066	82,679,455	45.02%	75.24%
2019	0.0704920%	38,800,522	65,098,630	103,899,152	78,588,520	49.37%	73.74%
2018	0.0674064%	21,552,941	37,406,346	58,959,287	74,083,764	29.09%	82.17%
2017	0.0685418%	25,900,909	43,719,778	69,620,687	70,905,322	36.53%	78.00%
2016	0.0700071%	24,746,578	39,780,931	64,527,509	65,947,738	37.52%	78.43%

* The amounts presented for the fiscal years were determined as of the Plan's fiscal year end, August 31 of the prior year.

College Station Independent School District**Exhibit G-3**

Schedule of the District's Contributions to the
Teacher Retirement System of Texas Pension Plan
For the Last Ten Fiscal Years*

Year		Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2025	** \$	3,448,013	\$ (3,448,013)	\$ -	\$ 87,218,276	3.95%
2024		4,275,070	(4,275,070)	-	106,557,188	4.01%
2023		3,748,319	(3,748,319)	-	102,002,006	3.67%
2022		3,225,572	(3,225,572)	-	93,618,435	3.45%
2021		3,068,014	(3,068,014)	-	91,641,814	3.35%
2020		2,378,062	(2,378,062)	-	88,475,028	2.69%
2019		2,509,106	(2,509,106)	-	82,679,455	3.03%
2018		2,385,146	(2,385,146)	-	78,588,520	3.03%
2017		2,209,189	(2,209,189)	-	74,083,764	2.98%
2016		2,177,745	(2,177,745)	-	70,905,322	3.07%

* The amounts presented for the fiscal years were determined as of the District's fiscal year end.

** The amounts presented for the period were determined as of the District's fiscal period (ten months) ending June 30.

College Station Independent School District

Exhibit G-4

Schedule of the District's Proportionate Share of the Net OPEB
Liability of a Cost-Sharing Multiple-Employer OPEB Plan
Teacher Retirement System of Texas
For the Last Eight Fiscal Years*

Year	District's Proportion of Net OPEB Liability	District's Proportionate Share of the Net OPEB Liability	State's Proportionate Share of the Net OPEB Liability Associated with the District	Total	District's Covered Payroll	District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2025	0.1041093%	\$ 31,598,753	\$ 39,592,809	\$ 71,191,562	\$ 106,557,188	29.65%	13.70%
2024	0.1049545%	23,235,153	28,036,783	51,271,936	102,002,006	22.78%	14.94%
2023	0.1012631%	24,246,437	29,576,843	53,823,280	93,618,435	25.90%	11.52%
2022	0.1028063%	39,656,999	53,131,541	92,788,540	91,641,814	43.27%	6.18%
2021	0.1029940%	39,152,652	52,611,780	91,764,432	88,475,028	44.25%	4.99%
2020	0.1577550%	50,022,511	66,468,730	116,491,241	82,679,455	60.50%	2.66%
2019	0.1041698%	52,012,954	65,727,916	117,740,870	78,588,520	66.18%	1.57%
2018	0.0952722%	41,430,286	57,119,812	98,550,098	74,083,764	55.92%	0.91%

* The amounts presented for the fiscal years were determined as of the Plan's fiscal year end, August 31 of the prior year.
Ten years of data is not available.

College Station Independent School District**Exhibit G-5**

Schedule of the District's Contributions to the
Teacher Retirement System of Texas OPEB Plan
For the Last Eight Fiscal Years*

Year		Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percentage of Covered Payroll
2025	** \$	781,947	\$ (781,947)	\$ -	\$ 87,218,276	0.90%
2024		948,922	(948,922)	-	106,557,188	0.89%
2023		896,228	(896,228)	-	102,002,006	0.88%
2022		832,091	(832,091)	-	93,618,435	0.89%
2021		828,178	(828,178)	-	91,641,814	0.90%
2020		779,715	(779,715)	-	88,475,028	0.88%
2019		751,461	(751,461)	-	82,679,455	0.91%
2018		717,875	(717,875)	-	78,588,520	0.91%

* The amounts presented for the fiscal years were determined as of the District's fiscal year end.

Ten years of data is not available.

** The amounts presented for the period were determined as of the District's fiscal period (ten months) ending June 30.

College Station Independent School District

Notes to the Required Supplementary Information

Note 1. Budget

A. Budgetary Information

Each school district in Texas is required by law to prepare annually a budget of anticipated revenues and expenditures for the general fund, debt service fund, and the child nutrition special revenue fund. The Texas Education Code requires the budget to be prepared not later than August 20 (June 20 starting with the 2025-2026 reporting period) and adopted by August 31 (July 1 starting with the 2025-2026 reporting period) of each year. The budgets are prepared on a basis of accounting that is used for reporting in accordance with generally accepted accounting principles.

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

1. Prior to August 20 (June 20 starting with the 2025-2026 reporting period) of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1 (July 1 starting with the 2025-2026 reporting period). The operating budget includes proposed expenditure and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
3. Prior to September 1 (July 1 starting with the 2025-2026 reporting period), the budget is formally approved and adopted by the Board.

The appropriated budget is prepared by fund and function. The District's campus/department heads may make transfers of appropriations within a campus or department. Transfers of appropriations between campuses or departments require the approval of the District's management. Increasing any one of the functional spending categories, or revenues object accounts and other resources and uses require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level within a fund. All annual appropriations lapse at fiscal year end.

B. Budget to Actual Expenditures

The District's actual expenditures exceeded its final budget in the following function:

<u>Fund</u>	<u>Function</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General fund	Interest on long-term debt	\$ -	\$ 128,382	\$ (128,382)

The District exceeded its final budget due to unanticipated reclassification of these expenditures during the year-end financial statement closing process.

College Station Independent School District

Notes to the Required Supplementary Information

Note 2. Net Pension Liability and Net OPEB Liability

The following factors significantly affect trends in the amounts reported for the District's proportionate share of the net pension liability and net OPEB liability:

Changes in Actuarial Assumptions and Inputs

Measurement Date August 31,	Net Pension Liability		Net OPEB Liability
	Discount Rate	Long-term Expected Rate of Return	Discount Rate
2024	7.000%	7.000%	3.870%
2023	7.000%	7.000%	4.130%
2022	7.000%	7.000%	3.910%
2021	7.250%	7.250%	1.950%
2020	7.250%	7.250%	2.330%
2019	7.250%	7.250%	2.630%
2018	6.907%	7.250%	3.690%
2017	8.000%	8.000%	3.420%
2016	8.000%	8.000%	
2015	8.000%	8.000%	

Changes in Demographic and Economic Assumptions

For measurement date August 31, 2018 – Net Pension Liability and Net OPEB Liability:

- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement and economic assumptions, including rates of salary increase for individual participants were updated based on the experience study performed for TRS for the period ending August 31, 2017.

Changes in Benefit Terms

For measurement date August 31, 2024 – 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.

For measurement date August 31, 2018 – Net OPEB Liability:

- Changes of benefit terms were made effective September 1, 2017 by the 85th Texas Legislature.

College Station Independent School District

Notes to the Required Supplementary Information

Other Changes

For measurement date August 31, 2024 – Net OPEB Liability:

- The tables used to model impact of aging on the underlying claims were revised.

For measurement date August 31, 2022 – Net OPEB Liability:

- The participation rate for pre-65 retirees was lowered from 65% to 62%. The participation rate for post-65 retirees was lowered from 40% to 25%.

For measurement date August 31, 2020 – Net OPEB Liability:

- The participation rate for post-65 retirees was lowered from 50% to 40%.
- The ultimate health care trend rate assumption decreased to reflect the repeal of the excise (Cadillac) tax on high-cost employer health plans.

For measurement date August 31, 2019 – Net Pension Liability:

- With the enactment of SB3 by the 2019 Texas Legislature, an assumption was made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected based on the actuarial assumptions.

For measurement date August 31, 2019 – Net OPEB Liability:

- The participation rate for pre-65 retirees was lowered from 70% to 65%. The participation rate for post-65 retirees was lowered from 75% to 50%. 25% of pre-65 retirees are assumed to discontinue their coverage at age 65.
- The trend rates were reset to better reflect the plan's anticipated experience.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20% to 15%. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20% to 10%.

For measurement date August 31, 2018 – Net OPEB Liability:

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

Proposed Form of Opinion of Bond Counsel

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

**COLLEGE STATION INDEPENDENT SCHOOL DISTRICT
UNLIMITED TAX SCHOOL BUILDING AND REFUNDING BONDS, SERIES 2026**

IN THE AGGREGATE PRINCIPAL AMOUNT OF \$66,140,000 ¹

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

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

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

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

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

¹ Preliminary, subject to bond pricing.



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

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

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

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

Respectfully,

APPENDIX D

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

APPENDIX D

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 Board’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 Rate¹</u>	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>
	As of <u>8-31-25</u>
Investment Type	
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.

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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⁾

<u>School District Bonds</u>		<u>Charter District Bonds</u>		<u>Totals</u>	
<u>Fiscal</u> <u>Year Ended</u> <u>8/31</u>	<u>No. of</u> <u>Issues</u>	<u>Principal</u> <u>Amount (\$)</u>	<u>No. of</u> <u>Issues</u>	<u>Principal Amount</u> <u>(\$)</u>	<u>No. of</u> <u>Issues</u> <u>Principal</u> <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.

PSF Returns Fiscal Year Ended 8-31-2025¹		
Portfolio	<u>Return</u>	Benchmark <u>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.

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

PSF Continuing Disclosure Undertaking

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

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

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

Annual Reports

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

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

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

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

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

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

Event Notices

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

Availability of Information

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

Limitations and Amendments

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

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

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

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

Compliance with Prior Undertakings

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

SEC Exemptive Relief

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