This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Preliminary Official Statement is delivered in final form. Under no circumstances shall the Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

HTS Continuing Disclosure Services
A Division of Hilltop Securities.
(See "Continuing Disclosure Information" herein)

PRELIMINARY OFFICIAL STATEMENT

Ratings:
Moody's: "A1"
(Underlying Rating Only; No PSF Guarantee)
(See "OTHER INFORMATION - Ratings" herein)

NEW ISSUE – Book-Entry-Only

Dated August 7, 2026

In the opinion of 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.

THE BONDS WILL NOT BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

$2,220,000*
LA VEGA INDEPENDENT SCHOOL DISTRICT
(McClennan County, Texas)
UNLIMITED TAX REFUNDING BONDS, SERIES 2026

Dated: August 15, 2026 **Due: As shown on page 2 herein**
Interest Accrues/Accretes from Delivery Date (defined below)

PAYMENT TERMS . . . The $2,220,000* La Vega Independent School District Unlimited Tax Refunding Bonds, Series 2026 (the "Bonds") will be issued in part as premium capital appreciation bonds (the "Premium Capital Appreciation Bonds") and in part as current interest bonds (the "Current Interest Bonds, collectively with the Premium Capital Appreciation Bonds, the "Bonds"), as shown on page 2 hereof. Interest on the Premium Capital Appreciation Bonds will accrete from the Delivery Date and will be payable on August 28, 2026* (an irregular maturity date). Such accreted interest will be payable only at maturity and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The sum of the principal of, premium, if any, and accreted/compounded interest on the Premium Capital Appreciation Bonds (the "Maturity Amount") is payable only at maturity. Interest on the Current Interest Bonds will accrue from August 26, 2026* (the "Delivery Date"), and will be payable on August 28, 2026* (an irregular interest payment date). Thereafter, interest on the bonds will be payable on February 15 and August 15 of each year until maturity and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Premium Capital Appreciation Bonds will be issued in denominations of integral multiples of $5,000 of the Maturity Amount for the stated maturity and the Current Interest Bonds will be issued as fully registered obligations in denominations of $5,000 of principal amount or any integral multiple thereof for any one stated maturity. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in authorized denominations thereof. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** The principal and Maturity Amount of the Bonds and interest on the Current Interest 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"). The initial Paying Agent/Registrar is UMB Bank, N.A., Dallas, Texas (see "THE BONDS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including Chapters 1207 and 1371 of the Texas Government Code, as amended, and an order (the "Bond Order") passed by the Board of Trustees of the District (the "Board") on July 21, 2026. In the Bond Order, the Board delegated to certain officers of the District authority to complete the sale of the Bonds. The terms of the sale will be included in a "Pricing Certificate," which will complete the sale of the Bonds (the Bond Order and the Pricing Certificate are collectively referred to herein as the "Order"). The Bonds are direct obligations of the District, payable from an ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property located within the District, as provided in the Order (see "THE BONDS - Authority for Issuance").

PURPOSE . . . Proceeds from the sale of the Bonds will be used (i) to refund a portion of the District's outstanding debt described in Schedule I hereto for debt service savings and (ii) for the payment of the costs associated with the issuance of the Bonds. See "PLAN OF FINANCING – Purpose".

MATURITY SCHEDULE - See Schedule on page 2

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the underwriter identified below (the "Underwriter") and subject to the approving opinion of the Attorney General of Texas and the opinion of Norton Rose Fulbright US LLP, Dallas, Texas, Bond Counsel (see APPENDIX C, "Form of Bond Counsel's Opinion"). Certain legal matters will be passed upon for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas.

DELIVERY . . . It is expected that the Bonds will be available for delivery through DTC on or about August 26, 2026*.

RAYMOND JAMES

* Preliminary, subject to change.

MATURITY SCHEDULE* **CUSIP Prefix: _______ [(1)]**

$560,000* Premium Capital Appreciation Bonds

Maturity	Principal Amount	Initial Offering Price per $5,000 Amount	Initial Yield to Maturity	Total Payment at Maturity	CUSIP[(1)] Suffix
8/28/2026	$ 560,000.00			$ 625,000	

(Interest to accrete from the Delivery Date)

$1,660,000* Current Interest Bonds

Maturity	Principal Amount	Interest Rate	Initial Yield	CUSIP[(1)] Suffix
2/15/2027	$ 1,040,000			
2/15/2028	145,000			
2/15/2029	150,000			
2/15/2030	155,000			
2/15/2031	170,000			

(Interest to accrue from the Delivery Date)

____

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. CUSIP data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP numbers are provided for convenience of reference only. None of the District, the Municipal Advisor, the Underwriter or their agents or counsel assume responsibility for the accuracy of such numbers.

* Preliminary, subject to change.

NO REDEMPTION. . . The Bonds are not subject to redemption prior to maturity.

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

No dealer, broker, salesman or other person has been authorized by the District or the Underwriter to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the District or the Underwriter. This Official Statement does not constitute an offer to sell Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction.

Certain information set forth herein has been obtained from the District and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Municipal Advisor or the Underwriter. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE INFORMATION" for a description of the undertaking of the District, to provide certain information on a continuing basis.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

The cover page contains certain information for general reference only and is not intended as a summary of this offering. Investors should read the entire Official Statement, including all schedules and appendices attached hereto, to obtain information essential to making an informed investment decision.

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

NONE OF THE DISTRICT, ITS MUNICIPAL ADVISOR, OR THE UNDERWRITER MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY ONLY SYSTEM AS SUCH INFORMATION HAS BEEN PROVIDED BY THE DEPOSITORY TRUST COMPANY.

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.

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM THE FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS. SEE "OTHER INFORMATION – FORWARD-LOOKING STATEMENTS DISCLAIMER" HEREIN.

Remainder of page intentionally left blank.

TABLE OF CONTENTS

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

PRELIMINARY 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 La Vega Independent School District (the "District") is a political subdivision of the State of Texas (the "State") located in McLennan County. The District covers approximately 30 square miles and includes portions of the Cities of Bellmead, Lacy-Lakeview and Waco (see "INTRODUCTION - Description of the District").

THE BONDS .... The $2,220,000* Unlimited Tax Refunding Bonds, Series 2026 (the "Bonds") are issued in part as Premium Capital Appreciation Bonds maturing on August 28, 2026* (an irregular maturity date), and in part as Current Interest Bonds maturing on February 15 in the years 2027 through 2031 (see "THE BONDS - Description of the Bonds").

PAYMENT OF INTEREST .... Interest on the Premium Capital Appreciation Bonds will accrete from the date of their delivery to the Underwriter and such interest will be payable on August 28, 2026* (an irregular maturity date), and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The accreted and compounded interest on the Premium Capital Appreciation Bonds is payable only at maturity. Interest on the Current Interest Bonds accrues from the date of their delivery to the Underwriter and is payable on August 28, 2026* (an irregular interest payment date). Thereafter, such interest will be payable on February 15 and August 15 of each year until maturity and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. (see "THE BONDS - Description of the Bonds").

AUTHORITY FOR ISSUANCE .... The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, including Chapters 1207 and 1371 of the Texas Government Code, as amended, and an order (the "Bond Order") passed by the Board of Trustees of the District (the "Board") on July 21, 2026. In the Bond Order, the Board delegated to certain officers of the District authority to complete the sale of the Bonds. The terms of the sale will be included in a "Pricing Certificate," which will complete the sale of the Bonds (the Bond Order and the Pricing Certificate are collectively referred to herein as the "Order") (see "THE BONDS - Authority for Issuance").

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").

NO PERMANENT SCHOOL FUND GUARANTEE .... The Bonds will not be guaranteed by the Permanent School Fund of the State of Texas.

NO REDEMPTION .... The Bonds are not subject to redemption prior to maturity.

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS .... The Bonds will not be designated as "Qualified Tax-Exempt Obligations" for financial institutions.

TAX EXEMPTION .... In the opinion of Bond Counsel to the District, 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.

USE OF PROCEEDS .... Proceeds from the sale of the Bonds will be used (i) to refund a portion of the District's outstanding debt described in Schedule I hereto for debt service savings and (ii) for the payment of the costs associated with the issuance of the Bonds. See "PLAN OF FINANCING – Purpose."

RATINGS .... The Bonds have been rated "A1" by Moody's Ratings ("Moody's") without regard to credit enhancement. **The Bonds did not receive an enhanced rating** (see "OTHER INFORMATION - Ratings").

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

* Preliminary, subject to change.

BOOK-ENTRY-ONLY SYSTEM...... The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 in principal amount of Current Interest Bonds or Maturity Amount of Premium Capital Appreciation Bonds 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 Current Interest Bonds at maturity and the Maturity Amount of the Premium Capital Appreciation 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").

For additional information regarding the District, please contact:

Jamie White		Jeff Robert
Assistant Superintendent for Finance		Managing Director
La Vega ISD	or	***Hilltop Securities Inc.***
400 East Loop 340		717 N. Harwood, Suite 3400
Waco, Texas 76705		Dallas, Texas 75270
(254) 299-6700		(214) 953-8744

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DISTRICT OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

Board of Trustees	Length of Service	Term Expires	Occupation
Mr. Myron Ridge Member, At-Large	8 Years	May, 2027	Police Officer
Mr. Raymond Koon President, District 4	12 Years	May, 2028	Fabricator Owner
Rev. Larry Carpenter Member, At-Large	4 Years	May, 2027	Minister
Mrs. Brenda Rocha Vice President, District 3	9 Years	May, 2029	Nurse
Mr. Randy Devorsky Member, District 5	36 Years	May, 2028	Paint & Body Shop Owner
Mr. Henry C. Jennings Member, District 2	33 Years	May, 2028	Retired
Mrs. Mildred Watkins Member, District 1	29 Years	May, 2029	Teacher

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service with District	Total School Service
Sharon Shields, Ph.D.	Superintendent	38 Years	45 Years
Jamie White	Assistant Superintendent for Finance	2 Years	7 Years

CONSULTANTS AND ADVISORS

Auditors .... JRBT, PC
Waco, Texas

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

Municipal Advisor .... Hilltop Securities Inc.
Dallas, Texas

PRELIMINARY OFFICIAL STATEMENT

RELATING TO

$2,220,000*
LA VEGA INDEPENDENT SCHOOL DISTRICT
UNLIMITED TAX REFUNDING BONDS, SERIES 2026

INTRODUCTION

This Preliminary Official Statement, which includes the Schedules and Appendices hereto, provides certain information regarding the issuance of $2,220,000* La Vega Independent School District (the "District") Unlimited Tax Refunding Bonds, Series 2026 (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Order, except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Bonds and certain information regarding the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District's Municipal Advisor, Hilltop Securities Inc., Dallas, Texas.

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

DESCRIPTION OF THE DISTRICT . . . The La Vega Independent School District (the "District") is a political subdivision located in McLennan County, Texas. The District is governed by a seven-member Board of Trustees (the "Board"), the members of which serve staggered three-year terms with elections being held in May of each year. Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools who is the chief administrative officer of the District. Support services are supplied by consultants and advisors. The District covers approximately 30 square miles and includes portions of the cities of Bellmead, Lacy-Lakeview and Waco, Texas. See "Appendix A – General Information Regarding the District" for additional information on the District.

PLAN OF FINANCING

PURPOSE . . . Proceeds from the sale of the Bonds will be used (i) to refund a portion of the District's outstanding debt described in Schedule I (the "Refunded Bonds") for debt service savings and (ii) for the payment of the costs associated with the issuance of the Bonds.

REFUNDED BONDS . . . The principal and interest due on the Refunded Bonds are to be paid on the redemption date of such Refunded Bonds from funds to be deposited pursuant to a certain escrow agreement (the "Escrow Agreement") between the District and Regions Bank, Dallas, Texas (the "Escrow Agent"). The Order provides that from the proceeds of the sale of the Bonds received from the underwriter of the Bonds listed on the cover page hereof (the "Underwriter"), and other available District funds, if any, the District will deposit with the Escrow Agent the amount which, together with the Escrowed Securities (defined below) purchased with a portion of the Bond proceeds and the interest to be earned on such Escrowed Securities, will be sufficient to accomplish the discharge and final payment of the Refunded Bonds on their respective redemption dates. Such funds will be held by the Escrow Agent in a special escrow account (the "Escrow Fund") and used to purchase some or all of the following types of obligations: (a) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their acquisition or purchase by the District, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent and/or (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 of their acquisition or purchase by the District, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent (the "Escrowed Securities"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Bonds.

Frost CPA LLC, in conjunction with Public Finance Partners LLC (together, the "Verification Agent"), will verify at the time of delivery of the Bonds to the Underwriter the mathematical accuracy of the schedules that demonstrate the Escrowed 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 the principal of and interest on the Refunded Bonds on their redemption date. Such maturing principal of and interest on the Escrowed Securities will not be available to pay the Bonds (see "OTHER INFORMATION – Verification of Arithmetical and Mathematical Computations").

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* Preliminary, subject to change.

By the deposit of the Escrowed Securities and cash with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of all of the Refunded Bonds in accordance with State law. It is the opinion of Bond Counsel that as a result of such defeasance and in reliance upon the verification report of the Verification Agent, the Refunded Bonds will be outstanding only for the purpose of receiving payments from the Escrowed Securities and any cash held for such purpose by the Escrow Agent in the Escrow Fund and such Refunded Bonds 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 will have no further responsibility with respect to amounts available in the Escrow Fund for the payment of the Refunded Bonds from time to time, including any insufficiency therein caused by the failure of the Escrow Agent to receive payment when due on the Escrowed Securities. Upon defeasance of the Refunded Bonds, the payment of such Refunded Bonds will no longer be guaranteed by the corpus of the Permanent School Fund.

Redemption of the Refunded Bonds will cancel the guarantee of the Texas Permanent School Fund with respect thereto.

SOURCES AND USES OF PROCEEDS . . . The proceeds from the sale of the Bonds, together with available District funds, if any, will be applied approximately as follows:

Sources of Funds	
Par Amount	$ -
Net Reoffering Premium	-
Total Sources of Funds	$ -
Uses of Funds	
Deposit to the Escrow Fund	$ -
Underwriter's Discount, Costs of Issuance and Rounding Amount	-
Total Uses of Funds	$ -

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds will be dated August 15, 2026. Interest on the Premium Capital Appreciation Bonds will accrete from the date of their delivery to the Underwriter (the "Delivery Date") and such interest will be payable on August 28, 2026* (an irregular maturity date), and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The sum of the principal of the Premium Capital Appreciation Bonds, the initial premium thereon, if any, and accreted/compounded interest to maturity (the "Maturity Amount") is payable only at maturity. Interest on the Current Interest Bonds will accrue from the Delivery Date and is payable on August 28, 2026* (an irregular interest payment date). Thereafter, interest on the Current Interest Bonds will be payable on February 15 and August 15 of each year until maturity and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Premium Capital Appreciation Bonds will mature on the date, in the Maturity Amount, and interest will accrete thereon at the approximate yields based upon the initial offering prices to the public, all of which are set forth on page 2 of this Official Statement. A table of Accreted Values (as defined below) of the Premium Capital Appreciation Bonds per $5,000 Maturity Amount based on (i) the initial offering prices and (ii) the approximate yields set forth on page 2 of this Official Statement is presented in Schedule II attached hereto, and such table of Accreted Values is provided for informational purposes only and may not reflect the prices for the Premium Capital Appreciation Bonds in the secondary market. The Current Interest Bonds will mature on the date, in the principal amount, and will bear interest at the rate set forth on page 2 of this Official Statement, and such interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

The term "Accreted Value" as used in this Official Statement means the original principal amount of a Premium Capital Appreciation Bond plus the initial premium, if any, paid therefor with interest thereon compounded to August 28, 2026*, at the yield stated on page 2 of this Official Statement and, with respect to each $5,000 Maturity Amount, as set forth in the Accreted Value table attached hereto as Schedule II. For any day other than August 28, 2026, the Accreted Value of a Premium Capital Appreciation Bond is determined by a straight-line interpolation between the values for the applicable dates shown on Schedule II attached thereto (based on 30-day months).

The principal and Maturity Amount of the Bonds is payable at maturity upon their presentation and surrender to the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments will be made as described under "THE BONDS - Book-Entry-Only System" herein. If the date for the payment of the principal or Maturity Amount, as applicable, of the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the designated corporate office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due. Interest on the Current Interest Bonds is payable to the registered owner appearing on the bond registration books of the Paying Agent/Registrar at the close of business on the Record Date (as defined below) and such interest shall be paid by the Paying Agent/Registrar (i) by check mailed to the address of the registered owner recorded in the bond register, or (ii) such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner.

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* Preliminary, subject to change.

The Bonds will be issued only in fully registered form and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. The Current Interest Bonds will be issued in denominations of $5,000 of principal amount or any integral thereof within a maturity. The Premium Capital Appreciation Bonds will be issued in denominations of $5,000 of Maturity Amount or any integral multiple thereof. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** The Maturity Amount of the Premium Capital Appreciation Bonds and the principal of and interest on the Current Interest 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 (the "State"), including Chapters 1207 and 1371of the Texas Government Code, as amended, and an order (the "Bond Order") passed by the Board on July 21, 2026. In the Bond Order, the Board delegated to certain officers of the District (each, a "Pricing Officer") authority to complete the sale of the Bonds. The terms of the sale will be included in a "Pricing Certificate," which will complete the sale of the Bonds (the Bond Order and the Pricing Certificate are collectively referred to herein as the "Order").

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 and interest on the Bonds.

NO PERMANENT SCHOOL FUND GUARANTEE . . . The Bonds will not be guaranteed under the Permanent School Fund Guarantee Program of the State of Texas.

NO REDEMPTION . . . The Bonds are not subject to redemption prior to maturity.

AMENDMENTS . . . The District may amend the Order without the consent of or notice to any registered owners of the Bonds in any manner not detrimental to the interest of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the District may, with the written consent of the holders of a majority in aggregate principal amount (with respect to the Current Interest Bonds) and/or Maturity Amount (with respect to the Premium Capital Appreciation Bonds) of the Bonds then outstanding, amend, add to, or rescind any of the provisions of the Order; except that, without consent of the registered owners of all of the Bonds then outstanding affected thereby, no such amendment, addition or rescission may (1) extend the time or times of payment of the principal (with respect to the Current Interest Bonds), Maturity Amount (with respect to the Premium Capital Appreciation Bonds), and interest on the Current Interest Bonds, reduce the principal amount or Maturity Amount thereof, or the rate of interest thereon, or in any other way modify the terms of payment of the principal (with respect to the Current Interest Bonds), Maturity Amount (with respect to the Premium Capital Appreciation Bonds), or interest on the Current Interest Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount or Maturity Amount of Bonds required to be held by holders for consent to any such amendment, addition, or rescission.

DEFEASANCE . . . The Order provides for the defeasance of the Bonds when payment of the Maturity Amount, principal of and premium, if any, on the Bonds, plus interest thereon to the due date therof (whether such due date be by reason of maturity or otherwise) is provided by irrevocably depositing with a paying agent or other authorized escrow agent, in trust (1) money sufficient to make such payment and/or (2) Government Securities to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money, together with any moneys deposited therewith, 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 Government Securities. The Bond Order provides that the term "Government Securities" means: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their acquisition or purchase by the District, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date of their acquisition or purchase by the District, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (d) any other then authorized securities or obligations under applicable State law that may be used to defease obligations such as the Bonds. The Pricing Officer may further limit the permitted Government Securities in connection with the sale of the Bonds. In the event the Pricing Officer limits such eligible Government Securities, the final Official Statement will reflect the new authorized Government Securities. There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. The District has the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities for the Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance. Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid.

BOOK-ENTRY-ONLY SYSTEM . . . *This section describes how ownership of the Bonds is to be transferred and how the principal and Maturity Amount of, premium, if any, are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Underwriter believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.*

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of AA+ from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. 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, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District and the Underwriter believe to be reliable, but neither the District nor the Underwriter take any responsibility for the accuracy thereof.

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

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is UMB Bank, N.A., Dallas, Texas. In the Order, the District retains the right to replace the Paying Agent/Registrar. The District covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a bank or trust company 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 agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

In the event the Book-Entry-Only System should be discontinued, interest on the Current Interest 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 (defined herein), and such interest will be paid (i) by check mailed to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar, or (ii) such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. Principal and Maturity Amount of the Bonds will be paid to the registered owner at the stated maturity upon presentation and surrender to the designated payment/transfer office of the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments will be made as described under "THE BONDS - Book-Entry-Only System" herein. If the date for any payment on the Bonds is a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment will be the next succeeding day which is not such a day, and payment on such date will have the same force and effect as if made on the date payment was due. So provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, payments of principal and Maturity Amount of the Bonds and interest on the Current Interest 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 should be discontinued, printed Bond certificates will be delivered to registered owners and thereafter the Bonds may be transferred, registered and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender of such printed certificates 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 his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 of principal amount or Maturity Amount for any one maturity and for a like aggregate principal amount or Maturity 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.

RECORD DATE FOR INTEREST PAYMENT. . . The record date ("Record Date") for the interest payable on the Current Interest Bonds on any interest payment date means the close of business on the last business day of the preceding month; provided, however, the Record Date for the August 28, 2026 (preliminary, subject to change) payment date shall be the Delivery 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 registered owner of a Current Interest 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.

YIELD ON PREMIUM CAPITAL APPRECIATION BONDS. . . The approximate yields of the Premium Capital Appreciation Bonds as set forth on page 2 of this Official Statement are based upon the initial offering price therefor set forth on page 2 of this Official Statement. Such offering prices include the principal amount of such Premium Capital Appreciation Bonds plus premium, if any, equal to the amount by which such offering prices exceed the principal amount of such Premium Capital Appreciation Bonds. The respective yields on the Premium Capital Appreciation Bonds to a particular purchaser may differ depending upon the prices paid by the purchaser. **For various reasons, securities that do not pay interest periodically, such as the Premium Capital Appreciation Bonds, have traditionally experienced greater price fluctuations in the secondary market than securities that pay interest on a periodic basis.**

BONDHOLDERS' REMEDIES . . . The Order does not establish specific events of default with respect to the Bonds. Under State law, there is no right to the acceleration of maturity of the Bonds upon the failure of the District to observe any covenant under the Order. Such registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the District to levy, assess and collect an annual ad valorem tax sufficient to pay principal of and interest on the Bonds as it becomes due. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Bonds or the Order and the District's obligations are not uncertain or disputed, as discussed below. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the District to perform in accordance with the terms of the Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court has 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. In so ruling, the Court declared that statutory language such as "sue and be sued", in and of itself, did not constitute a clear and unambiguous waiver of sovereign immunity. In Tooke, the Court noted the enactment in 2005 of sections 271.151-.160, Texas Local Government Code (the "Local Government Immunity Waiver Act"), which, according to the Court, waives "immunity from suit for contract claims against most local governmental entities in certain circumstances." The Local Government Immunity Waiver Act covers school districts and relates to contracts entered into by school districts for providing goods or services to school districts. The District is not aware of any State court construing the Local Government Immunity Waiver Act in the context of whether contractual undertakings of local governments that relate to their borrowing powers are contracts covered by the Local Government Immunity Waiver Act. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in Tooke, and it is unclear whether Tooke will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by State courts. In general, State courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. State courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally-imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract). Because it is unclear whether the State Legislature (defined herein) has effectively waived the District's sovereign immunity from a suit for money damages, registered owners may not be able to bring such a suit against the District for breach of the Bonds or Order covenants in the absence of District action. Chapter 1371 which pertains to the issuance of public securities by issuer such as the District, permits the District to waive sovereign immunity in the proceedings authorizing its bonds, but in connection with the issuance of the Bonds, although the District is using Chapter 1371 as legal authority in connection with its issuance of the Bonds, the District has not waived sovereign immunity pursuant to the legal authority provided by Chapter 1371. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce creditors' rights would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Order and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors by general principles of equity which permit the exercise of judicial discretion and by governmental immunity.

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

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

On May 13, 2016, the Court issued its opinion in the most recent school finance litigation, *Morath v. The Texas Taxpayer & Student Fairness Coal.*, 490 S.W.3d 826 (Tex. 2016) ("*Morath 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 "despite 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 the 126th Judicial District Court of Travis County, Texas, styled *Midland Independent School District, et al. v. Mike Morath, Commissioner of Education, et al.* (Cause No. D-1-GN-26-006002), 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 this litigation, and at this time, the District is still in the process of obtaining documentation regarding this litigation and reviewing the same. The District can make no representations or predictions concerning the outcome of this litigation or the effect, if any, that this litigation 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 Finance System as it is currently structured. The information contained under the captions "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" and "TAX RATE LIMITATIONS" is subject to change and only reflects the District's understanding based on information available to the District as of the date of this Official Statement. For a more complete description of school finance and fiscal management in the State, reference is made to Chapters 43 through 49 of the Texas Education Code, as amended. Additionally, prospective investors are encouraged to review the Property Tax Code (as defined herein) for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the defined tax rates.

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

2025 LEGISLATIVE SESSION

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

During the 89th Regular Session, the State Legislature adopted a general appropriations act and legislation affecting the Finance System and ad valorem taxation procedures and exemptions, and investments, among other legislation affecting school districts and the administrative agencies that oversee school districts. Legislation passed by both houses of the State Legislature, signed by the Governor and approved by voters at a statewide election held on November 4, 2025 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) the exemption for tangible personal property used in the "production of income" from $2,500 to $125,000. Additionally, both houses of the State Legislature passed and the Governor signed legislation that authorized roughly $8.5 billion in funding for public schools and provides districts with a $55 per-student increase to their base funding beginning September 1, 2025, as well as provide districts with additional funding for teacher and staff salaries, educator preparation, special education, safety requirements and early childhood learning. Finally, legislation passed by the State Legislature and signed into law by the Governor creates 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 2026-2027 biennium may not exceed $1 billion. Beginning on September 1, 2027, the legislation requires the State 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 Session and cannot make any representations as to the full impact of such legislation.

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" (the "SCP") is a statutorily-defined percentage of the rate of $1.00 per $100 that is used to determine a school district's Maximum Compressed Tax Rate (described below). The State Compression Percentage is the lesser of three alternative calculations: (1) 93% or a lower percentage set by appropriation for a school year; (2) a percentage determined by formula if the estimated total taxable property value of the State (as submitted annually to the State Legislature by the State Comptroller) has increased by at least 2.5% over the prior year; and (3) the prior year State Compression Percentage. For any year, the maximum State Compression Percentage is 93%. For the State fiscal year ending in 2026, the State Compression Percentage is set at 63.22%. For the State fiscal year ending in 2027, the State Compression Percentage is set at 62.54%.

Maximum Compressed Tax Rate. The Maximum Compressed Tax Rate (the "MCR") is the tax rate per $100 of valuation of taxable property at which a school district must levy its Tier One Tax Rate to receive the full amount of the Tier One funding to which the school district is entitled. The MCR is equal to the lesser of two alternative calculations: (1) the "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%, the MCR is equal to the prior year's 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 set to 90% of such other school district's MCR, until TEA determines that the difference between the school district's MCR and any other school district's MCR is not more than 10%. These compression formulas are intended to more closely equalize local generation of Tier One funding among districts with disparate tax bases and generally reduce the Tier One Tax Rates of school districts as property values increase. For the 2025-2026 school year, the Legislature reduced the maximum MCR, establishing $0.6322 as the maximum rate and $0.5689 as the floor. For the 2026-2027 school year, the MCR was established with $0.6254 as the maximum rate and $0.5628 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. At a statewide election held on November 4, 2025, voters approved constitutional amendments which increase (1) the State mandated general homestead exemption from $100,000 to $140,000, and (2) the additional exemption on the residence homesteads of those at least sixty-five (65) years of age or disabled from $10,000 to $60,000. Such constitutional amendments took effect for the tax year beginning January 1, 2025.

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

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

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

STATE FUNDING FOR SCHOOL DISTRICTS

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

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

The current Finance System also provides an Existing Debt Allotment ("EDA") to subsidize debt service on eligible outstanding school district bonds, an Instructional Facilities Allotment ("IFA") to subsidize debt service on newly issued bonds, and a New

Instructional Facilities Allotment ("NIFA") to subsidize operational expenses associated with the opening of a new instructional facility. IFA primarily addresses the debt service needs of property-poor school districts.

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

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

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

The fast growth allotment weights change 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.

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

Tier Two. Tier Two supplements Tier One funding and provides two levels of enrichment with different guaranteed yields (i.e., Golden Pennies and Copper Pennies) depending on the school district's Enrichment Tax Rate. Golden Pennies generate a guaranteed yield equal to the Basic Allotment multiplied by 0.02084. For the 2026-2027 State fiscal biennium, school districts are guaranteed a yield on each Golden Penny levied of $129.52 per student in WADA. Copper Pennies generate a guaranteed yield per student in WADA equal to the school district's Basic Allotment multiplied by 0.008. For the 2026-27 State fiscal biennium, school districts are guaranteed a yield of $49.72 per student in WADA for each Copper Penny levied.

Existing Debt Allotment, Instructional Facilities Allotment, and New Instructional Facilities Allotment. The Foundation School Program also includes facilities funding components consisting of the IFA and the EDA, subject to legislative appropriation each State fiscal biennium. To the extent funded for a biennium, these programs assist school districts in funding facilities by, generally, equalizing a school district's I&S tax effort. The IFA guarantees each awarded school district a specified amount per student (the "IFA Yield") in State and local funds for each cent of I&S tax levied to pay the principal of and interest on eligible bonds issued to construct, acquire, renovate or improve instructional facilities. The IFA Yield has been $35 since this program first began in 1997. New awards of IFA are only available if appropriated funds are allocated for such purpose by the State Legislature. To receive an IFA award, in years where new IFA awards are available, a school district must apply to the Commissioner in accordance with rules adopted by the TEA before issuing the bonds to be paid with IFA State assistance. The total amount of debt service assistance over a biennium for which a school district may be awarded is limited to the lesser of (1) the actual debt service payments made by the school district in the biennium in which the bonds are issued; or (2) the greater of (a) $100,000 or (b) $250 multiplied by the number of students in ADA. The IFA is also available for lease-purchase agreements and refunding bonds meeting certain prescribed conditions. Once a school district receives an IFA award for bonds, it is entitled to continue receiving State assistance for such bonds without reapplying to the Commissioner. A school district may use additional State aid received from an IFA award only to pay the principal of and interest on the bonds for which the district received the aid. The guaranteed level of State and local funds per student 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 under-subscribed career and technology education programs, as determined by the Commissioner. During the 2025 Legislative 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, if any increase in a residence homestead exemption under the Texas Constitution, and any additional limitation on tax increases under the elderly or disabled tax ceiling had not occurred.

LOCAL REVENUE LEVEL IN EXCESS OF ENTITLEMENT

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

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

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

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT

For the 2026-27 school year, the District was not designated as an "excess local revenue" district by the TEA. Accordingly, the District has not been required to exercise one of the permitted wealth equalization options. As a district with local revenue less than the maximum permitted level, the District may benefit in the future by agreeing to accept taxable property or funding assistance from or agreeing to consolidate with a property-rich district to enable such district to reduce its wealth per student to the permitted level. The District has not been notified as to its status for the 2026-2027 school year.

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. 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.

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

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

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

Unless extended by future legislation, 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 $5,320,000 (the "maximum property value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20% 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. If extended by future legislation, 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.

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 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.

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 (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. Legislation passed by the Legislature, signed by the Governor during the 89th Regular Session and approved by the voters 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. A person who leases tangible personal property is also entitled to a tax exemption of $125,000, regardless of where the property is located in the taxing unit.

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

Certain goods, that are acquired in or imported into the State to be forwarded to another location within or outside the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or outside the State within 175 days ("Goods-in-Transit"), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as retail 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, intangible personal property is not taxable pursuant to the Property Tax Code.

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% to 100% 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. Section 11.35 of the Tax Code further provides that "damage" for purposes of such statute is limited to "physical damages." For more information on the exemption, reference is made to Section 11.35 of the Property Tax Code, as amended.

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

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

TAX LIMITATION AGREEMENTS. . . The Texas Economic Development Act (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, a school district could 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 was not 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 take action 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 services taxes securing 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.

For a discussion of how the various exemptions described above are applied by the District, see "AD VALOREM PROPERTY TAXATION – District Application of Property Tax Code" herein.

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

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 was set at $62,883,169 for the 2026 calendar year and is adjusted annually by the State Comptroller to reflect the inflation rate.

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

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

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.

DISTRICT APPLICATION OF THE PROPERTY TAX CODE . . . As required by law, the District grants the State mandated residential general homestead exemption of $140,000 and the State mandated residence homestead exemption of $60,000 for persons 65 years of age or over and the disabled. The District has not granted an additional exemption of 20% of the market value of residence homesteads; minimum exemption of $5,000.

See Table 1 for a listing of the amounts of the exemptions described above.

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

The District does not tax nonbusiness personal property; and the McLennan County Tax Office collects taxes for the District.

The District does permit split payments of taxes, as permitted by State law on a local option basis, and discounts for the early payment of taxes are not allowed.

The District does not tax Freeport Property or Goods-in-Transit and has not adopted a tax abatement policy.

TAX RATE LIMITATIONS

M&O TAX RATE LIMITATIONS. . . The District is authorized to levy an M&O tax rate pursuant to the approval of the voters of the District at an election held on December 13, 1958 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 – Source and Security 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. Refunding bonds issued pursuant to Chapter 1207, Texas Government Code, are not subject to the 50-cent Test; however, taxes levied to pay debt service on such bonds (other than bonds issued to refund exempt bonds) are included in maximum annual debt service for calculation of the 50-cent Test when applied to subsequent bond issues that are subject to the 50-cent Test. The Bonds are issued as refunding bonds pursuant to Chapter 1207 and are, therefore, not subject to the 50-cent Test; however, taxes levied to pay debt service on the Bonds are included in the calculation of the 50-cent Test as applied to subsequent issues of "new debt".

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 (60^{th}) 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 (71^{st}) 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 (60^{th}) 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 (71^{st}) 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 (60^{th}) 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, or (b) the rate of $0.05 per $100 of taxable value; and (iii) the school district's current I&S tax rate. A school district's M&O tax rate may not exceed the rate equal to the sum of (i) $0.17 and (ii) the school district's MCR (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" herein for more information regarding the State Compression Percentage, MCR, and the Enrichment Tax Rate).

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

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

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

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

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TABLE 1 - VALUATION, EXEMPTIONS AND TAX SUPPORTED DEBT

2026/27 Market Valuation Established by the McLennan Central Appraisal District (excluding totally exempt property)		$ 1,974,932,475
State Mandated General Homestead Exemptions	$ 311,469,823	
State Mandated Over 65 Exemptions	31,849,914	
State Mandated Disabled Persons Exemptions	2,021,739	
Veterans Exemptions Loss	10,050,705	
Business Personal Property Exemptions	30,051,350	
Pollution Control Loss	17,564,478	
Freeport Exemption Loss	30,414,386	
Productivity Loss	38,894,632	
Homestead Cap and Circuit Breaker Loss	40,302,834	
Freeze Value Loss	13,565,221	(526,185,082)
2026/27 Certified Taxable Assessed Valuation		$ 1,448,747,393
Debt Payable from Ad Valorem Taxes (as of 8/26/26)		
Outstanding Debt [(1)]	$ 114,384,999	
The Bonds [(2)]	2,220,000	
Debt Payable from Ad Valorem Taxes (as of 8/26/26)		$ 116,604,999
Ratio Tax Supported Debt to Certified Taxable Assessed Valuation		8.05%

Current Estimated Population - 14,635
Per Capita Taxable Assessed Valuation - $98,992
Per Capita Debt Payable from Ad Valorem Taxes - $7,968

(1) The amounts of outstanding tax-supported debt shown in the table above include the principal amount of current interest bonds and capital appreciation bonds as of the issuance date thereof and excludes interest accreted on outstanding capital appreciation bonds. Excludes the Refunded Bonds.
(2) Preliminary, subject to change.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Taxable Appraised Value for Year,					
	2026/27		2025/26		2024/25	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 714,024,689	36.15%	$ 729,652,492	35.72%	$ 704,593,415	35.90%
Real, Residential, Multi-Family	53,487,495	2.71%	51,101,825	2.50%	32,516,682	1.66%
Real, Vacant Lots/Tracts	27,176,686	1.38%	26,785,455	1.31%	26,675,065	1.36%
Real, Farm and Ranch Improvements	42,069,875	2.13%	35,558,552	1.74%	35,225,632	1.79%
Real, Acreage (Land Only)	41,041,562	2.08%	43,708,433	2.14%	45,463,839	2.32%
Real, Commercial	374,790,183	18.98%	388,295,916	19.01%	382,652,400	19.50%
Real, Industrial	195,831,672	9.92%	191,219,282	9.36%	189,835,365	9.67%
Real & Tangible Personal, Utilities	63,282,031	3.20%	61,865,590	3.03%	59,265,212	3.02%
Tangible Personal, Commercial	261,742,510	13.25%	293,074,954	14.35%	316,901,731	16.15%
Tangible Personal, Industrial	187,228,618	9.48%	204,789,502	10.02%	156,189,000	7.96%
Real, Mobile Homes	10,006,351	0.51%	10,303,311	0.50%	9,656,577	0.49%
Residential, Inventory	4,250,803	0.22%	5,728,199	0.28%	3,029,286	0.15%
Special, Inventory	-	0.00%	843,820	0.04%	721,150	0.04%
Total Appraised Value Before Exemptions	$ 1,974,932,475	100.00%	$ 2,042,927,331	100.00%	$ 1,962,725,354	100.00%
Less: Exemptions/Reductions/Adjustments	(526,185,082)		(498,083,467) (1)		(477,837,695)	
Taxable Assessed Value	$ 1,448,747,393		$ 1,544,843,864		$ 1,484,887,659	

	Taxable Appraised Value for Fiscal Year Ended August 31,			
	2023/24		2022/23	
Category	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 649,291,391	36.13%	$ 559,202,781	37.68%
Real, Residential, Multi-Family	32,144,886	1.79%	35,116,398	2.37%
Real, Vacant Lots/Tracts	27,374,761	1.52%	21,745,946	1.47%
Real, Farm and Ranch Improvements	34,561,260	1.92%	31,469,703	2.12%
Real, Acreage (Land Only)	41,358,372	2.30%	37,575,957	2.53%
Real, Commercial	385,197,065	21.43%	333,943,792	22.50%
Real, Industrial	166,068,018	9.24%	137,914,191	9.29%
Real & Tangible Personal, Utilities	57,425,026	3.20%	49,735,335	3.35%
Tangible Personal, Commercial	300,226,120	16.71%	182,395,610	12.29%
Tangible Personal, Industrial	85,632,270	4.77%	82,085,540	5.53%
Real, Mobile Homes	9,553,577	0.53%	8,247,987	0.56%
Real, Inventory	7,346,320	0.41%	3,976,460	0.27%
Special, Inventory	892,240	0.05%	861,180	0.06%
Total Appraised Value Before Exemptions	$ 1,797,071,306	100.00%	$ 1,484,270,880	100.00%
Less: Exemptions/Reductions/Adjustments	(382,586,530)		(284,025,288)	
Taxable Assessed Value	$ 1,414,484,776		$ 1,200,245,592	

(1) State-mandated homestead exemption increased from $100,000 to $140,000 and the State-mandated homestead exemption for persons sixty-five (65) years of age or older and the disabled increased from $10,000 to $60,000. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 LEGISLATIVE SESSIONS."

NOTE: Valuations shown are certified taxable assessed values reported by the Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

TABLE 3 - VALUATION AND TAX SUPPORTED DEBT HISTORY

Fiscal Year Ended 8/31	Estimated Population[1]	Taxable Assessed Valuation[2]	Taxable Assessed Valuation Per Capita	Tax Debt Outstanding at Fiscal Year End	Ratio of Tax Debt to Taxable Assessed Valuation	Tax Debt Per Capita
2023	14,165	$ 1,200,245,592	$ 84,733	$ 31,384,999	2.61%	2,216
2024	14,321	1,414,484,776	98,770	30,219,999	2.14%	2,110
2025	14,637	1,484,887,659	101,448	118,814,999	8.00%	8,117
2026	14,635	1,544,843,864	105,558	116,044,999 [3]	7.51% [3]	7,929 [3]
2027	14,635	1,448,747,393	98,992	107,994,999 [3]	7.45% [3]	7,379 [3]

(1) Source: Municipal Advisory Council of Texas.
(2) As reported by the Appraisal District on the District's annual State Property Tax Reports and is subject to change during the ensuring year.
(3) Projected, includes the Bonds but excludes the Refunded Bonds. Preliminary, subject to change.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 8/31	TAX RATE BREAKDOWN				TAX COLLECTIONS	
	Local Maintenance [1]	Interest and Sinking	Total Rate	Tax Levy	% Current Collections	% Total Collections
2022	$ 1.016100	$ 0.245250	$ 1.261350	$ 13,492,209	98.44%	99.33%
2023	0.942900	0.245250	1.188150	14,260,718	98.28%	99.52%
2024	0.757500	0.250007	1.007507	13,686,374	98.29%	98.96%
2025	0.755200	0.500000	1.255200	19,151,234	98.38%	98.89%
2026	0.755200	0.500000	1.255200	18,331,256	97.47% [2]	98.07% [2]

(1) The decrease in the District's M&O Tax Rate is the result of House Bill 3, passed during the 2019 Texas Legislative Session, which mandated that all independent school districts reduce their M&O tax rate as prescribed in House Bill 3 (See "AD VALOREM PROPERTY TAXATION" herein).
(2) Unaudited collections as of June 30, 2026.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2026/27 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation [1]
L-3 Communications Integrated Systems LP	Technology	$ 169,657,150	11.71%
Sanderson Farms Inc.	Meat Products	84,794,517	5.85%
Sherwin Williams Co. Inc.	Wholesale Supplier/Distribution Center	65,807,401	4.54%
SHW Realty LLC	Real Estate	46,000,000	3.18%
AstenJohnson Nonwovens-Waco, Inc.	Textile Manufacturing	40,932,882	2.83%
Union Pacific Railroad Co.	Railroad	21,816,125	1.51%
Dunlap & Kyle Company Inc.	Tire Service	18,367,326	1.27%
H.E. Butt Grocery Co.	Grocery Stores	17,852,913	1.23%
Oncor Electric Delivery Co LLC	Electric Utility	16,613,204	1.15%
Trane	Wholesale Supplier/Distribution Center	16,484,786	1.14%
		$ 498,326,304	34.40%

(1) The Ten Largest Taxpayers in the District currently account for approximately 34.40% of the District's tax base, thereby creating a concentration risk for the District. Adverse developments in economic conditions could adversely impact the businesses that own such properties in the District and the tax values in the District, resulting in less local tax revenue. Economic and market forces, such as a downturn in the economy, or legislative changes impacting school funding or property taxation, for example, can also affect assessed values, particularly as these forces might trigger an increase in foreclosures or in delinquent tax payments or in the number of requests submitted to the assessment appeals board for a reduction in assessed value of taxable property in the District.

TABLE 6 - 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 debt ("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 Tax Debt since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional Tax Debt, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the District.

Taxing Jurisdiction	Total Tax Supported Debt as of 8/26/2026	Estimated % Applicable	District's Overlapping Tax Supported Debt as of 8/26/2026
La Vega ISD	$ 116,604,999 (1)	100.00%	$ 116,604,999 (1)
Bellmead, City of	6,935,000	97.26%	6,744,981
Lacy-Lakeview, City of	13,914,000	17.49%	2,433,559
McLennan County	103,865,000	5.21%	5,411,367
McLennan County JCD	34,020,000	5.21%	1,772,442
Waco, City of	1,102,885,000	4.51%	49,740,114
Total Direct and Overlapping Tax Supported Debt			$ 182,707,461
Ratio of Direct and Overlapping Tax Supported Debt to Taxable Assessed Valuation			12.61%
Per Capita Direct and Overlapping Tax Supported Debt			$ 12,484

(1) Projected, as of the Delivery Date and includes the Bonds but excludes the Refunded Bonds. Preliminary, subject to change.

DEBT INFORMATION

TABLE 7 – PRO-FORMA TAX SUPPORTED DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 8/31	Outstanding Debt [1] Principal	Outstanding Debt [1] Interest	Less: 2010B QSCB Subsidy	The Bonds [3] Principal	The Bonds [3] Interest	Total Debt Service Requirements	% of Principal Retired
2026	$ 2,210,000	$ 5,039,679	$ (263,796)	$ 560,000	$ 65,461	$ 7,611,344	2.33%
2027	7,010,000 [2]	4,726,071	(131,898)	1,040,000	54,003	12,698,175	9.11%
2028	1,650,000	4,515,600	-	145,000	27,375	6,337,975	10.62%
2029	1,780,000	4,446,025	-	150,000	20,000	6,396,025	12.24%
2030	1,925,000	4,369,750	-	155,000	12,375	6,462,125	13.99%
2031	2,060,000	4,292,900	-	170,000	4,250	6,527,150	15.87%
2032	2,680,000	4,206,350	-	-	-	6,886,350	18.12%
2033	2,815,000	4,107,550	-	-	-	6,922,550	20.49%
2034	2,254,999	4,711,451	-	-	-	6,966,450	22.39%
2035	2,995,000	3,918,100	-	-	-	6,913,100	24.91%
2036	3,170,000	3,778,000	-	-	-	6,948,000	27.58%
2037	3,315,000	3,630,450	-	-	-	6,945,450	30.37%
2038	3,470,000	3,476,000	-	-	-	6,946,000	33.29%
2039	3,635,000	3,314,175	-	-	-	6,949,175	36.35%
2040	3,790,000	3,153,150	-	-	-	6,943,150	39.54%
2041	3,785,000	2,980,325	-	-	-	6,765,325	42.73%
2042	3,975,000	2,786,325	-	-	-	6,761,325	46.07%
2043	4,180,000	2,582,450	-	-	-	6,762,450	49.59%
2044	4,395,000	2,368,075	-	-	-	6,763,075	53.29%
2045	4,595,000	2,166,300	-	-	-	6,761,300	57.16%
2046	4,785,000	1,978,700	-	-	-	6,763,700	61.18%
2047	4,980,000	1,783,400		-	-	6,763,400	65.37%
2048	5,185,000	1,580,100	-	-	-	6,765,100	69.74%
2049	5,395,000	1,368,500	-	-	-	6,763,500	74.28%
2050	5,620,000	1,144,688	-	-	-	6,764,688	79.01%
2051	5,855,000	908,016	-	-	-	6,763,016	83.94%
2052	6,100,000	661,444	-	-	-	6,761,444	89.07%
2053	6,360,000	404,456	-	-	-	6,764,456	94.42%
2054	6,625,000	136,641	-	-	-	6,761,641	100.00%
	$116,594,999	$ 84,534,668	$ (395,694)	$ 2,220,000	$ 183,464	$ 203,137,438	

(1) Excludes the Refunded Bonds and Other Obligations (see "Table 10 – Other Obligations"). The amounts of outstanding tax-supported debt shown in the table above include the principal amount of current interest bonds and capital appreciation bonds as of the issuance date thereof and excludes interest accreted on outstanding capital appreciation bonds. Preliminary, subject to change.

(2) Includes the $5,190,000 maturity of the District's Unlimited Tax Qualified School Construction Bonds, Taxable Series 2010B (Direct Subsidy) (the "2010B Bonds") which requires the District to make mandatory deposits into a Cumulative Sinking Fund Account in annual installments sufficient to pay the principal of the 2010B Bonds on February 15, 2027.

(3) Interest shown purposes of illustration only. Preliminary, subject to change.

TABLE 8 - INTEREST AND SINKING FUND BUDGET PROJECTION

Tax Supported Debt Service Requirements, Fiscal Year Ending 8/31/26		$ 7,611,344
Interest and Sinking Fund Balance as of 8/31/25	$ 8,430,608	
Budgeted Interest and Sinking Fund Tax Levy Collections	7,289,005	
Federal Subsidy (Series 2010B QSCB)	(263,796)	
Sinking Fund Deposit Requirement (Series 2010B QSCB)	234,789	$ 15,690,606
Estimated Fund Balance, Fiscal Year Ending 8/31/26		$ 8,079,262

(1) Projected, includes the Bonds but excludes the Refunded Bonds. Preliminary, subject to change.

TABLE 9 - AUTHORIZED BUT UNISSUED UNLIMITED TAX BONDS

The District does not have any authorized but unissued unlimited tax bonds.

ANTICIPATED ISSUANCE OF ADDITIONAL UNLIMITED TAX DEBT . . . The District does not have any plans to issue additional unlimited tax debt within the next 12 months.

TABLE 10 - OTHER OBLIGATIONS

Leases Liability - The District leases copiers and other equipment used in operations. These leases have terms between two and five years requiring monthly payments. As of August 31, 2025, the total amount of right-to-use assets and the related amortization, disclosed separately from other capital assets is as follows:

FYE 8/31	Principal	Interest	Total Requirements
2026	$ 39,417	$ 760	$ 40,177
2027	8,309	81	8,390
	$ 47,726	$ 841	$ 48,567

Time Warrant – In 2018, the District issued Time Warrant, Series 2018 (the "Time Warrant"), in the amount of $990,000 with an interest rate of 3.29%, as authorized by Section 45.103, Texas Education Code. Funds were obtained for the purpose of adding classrooms at La Vega High School.

Debt service requirements for the Time Warrant are as follows:

FYE 8/31	Principal	Interest	Total Requirements
2026	$ 66,000	$ 17,830	$ 83,830
2027	66,000	14,858	80,858
2028	66,000	11,887	77,887
2029	66,000	8,915	74,915
2030	66,000	5,943	71,943
2031	66,000	2,972	68,972
	$ 396,000	$ 62,405	$ 458,405

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

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

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

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

	Contribution Rates Plan Fiscal Year 2025	2024
Member (employees)	8.25%	8.25%
Non-employer contributing entity (state of Texas)	8.25%	8.25%
Employer (the District)	8.25%	8.25%

	Contributions Required and Made
Member (employees)	$ 2,221,926
Non-employer contributing entity (state of Texas)	1,594,826
Employer (the District)	1,095,664

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

Retiree Health Care . . . In addition to its participation in the System, the District contributes to the Texas Public School Retired Employees Group Insurance Program (the "TRS-Care Retired Plan"), a cost-sharing multiple-employer defined benefit post-employment health care plan. The TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. For more detailed information concerning the District's funding policy and contributions in connection with the TRS-Care Retired Plan, see Appendix B, "Excerpts from the District's Annual Financial Report" – Note 15.

Other Post Employment Benefits . . . Aside from the District's contribution to the System, the District has no obligations for other post-employment benefits within the meaning of Governmental Accounting Standards Board Statement 75.

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FINANCIAL INFORMATION

TABLE 11 – CHANGES IN NET POSITION

	Fiscal Year Ended August 31				
	2025	2024	2023	2022	2021
Program Revenues:					
Charges for Services	$ 378,380	$ 394,782	$ 395,853	$ 258,776	$ 315,376
Operating Grants & Contributions	10,420,293	12,923,333	12,111,783	13,712,772	8,537,684
General Revenues:					
Property Taxes	19,111,490	13,693,530	14,412,152	13,553,768	13,413,076
State Aid - Formula Grants	24,027,947	22,446,068	18,938,126	20,621,045	19,408,143
Grants and Contributions (Not Restricted)	203,426	102,546	213,023	433,351	184,832
Investment Earnings	4,908,892	1,405,734	853,040	171,034	230,421
Gain from Disposition of Capital Assets	-	1,839,113	-	-	-
Miscellaneous	437,138	275,381	168,030	177,902	308,860
Total Revenues	$ 59,487,566	$ 53,080,487	$ 47,092,007	$ 48,928,648	$ 42,398,392
Expenses:					
Instruction	$ 24,377,847	$ 24,680,058	$ 20,675,766	$ 19,877,513	$ 20,534,224
Instructional Resource and Media Services	288,432	283,051	248,863	238,543	334,494
Curriculum & Staff Development	684,814	753,872	607,490	841,911	783,692
Instructional Leadership	1,312,167	1,062,742	1,085,556	848,625	822,357
School Leadership	3,342,614	3,140,161	2,923,636	2,421,748	2,679,169
Guidance, Counseling & Evaluation Services	1,108,275	1,080,183	1,006,334	874,431	937,927
Social Work Services	449,386	366,027	467,748	366,726	310,090
Health Services	323,907	316,865	290,355	313,290	292,676
Student (Pupil) Transportation	2,366,094	2,156,187	1,713,782	1,753,633	1,608,167
Food Services	2,647,276	2,827,135	2,814,009	2,528,884	2,247,384
Extracurricular Activities	2,056,036	1,963,314	1,792,855	1,641,143	1,702,286
General Administration	1,885,573	1,909,896	1,781,546	1,421,351	1,500,911
Plant Maintenance and Operations	4,657,405	4,142,236	4,015,390	3,515,189	3,639,005
Security & Monitoring Services	1,187,612	1,130,793	932,344	583,227	576,358
Data Processing Services	1,409,303	1,443,120	1,057,233	1,467,306	1,362,321
Community Services	160,709	65,541	62,198	60,238	44,081
Debt Service-Long Term Debt	4,663,564	1,052,316	1,066,088	1,084,354	1,035,960
Debt Service-Other Fees	796,961	7,158	6,549	4,330	161,114
Payments to Juvenile Justice Alt. Ed. Program	44,147	28,435	42,024	19,849	20,380
Other Intergovernmenal Charges	192,913	143,598	159,527	117,826	109,499
Total Expenses	$ 53,955,035	$ 48,552,688	$ 42,749,293	$ 39,980,117	$ 40,702,095
Increase (decrease) in net position before transfers and special items	$ 5,532,531	$ 4,527,799	$ 4,342,714	$ 8,948,531	$ 1,696,297
Beginning Net Position	8,558,017	3,885,965	(456,749)	(9,405,280)	(11,018,171)
Prior Period Adjustments	(827,056)	144,253	-	-	(83,406)
Ending Net Position	$ 13,263,492	$ 8,558,017	$ 3,885,965	$ (456,749)	$ (9,405,280)

Source: The District's audited financial statements.

TABLE 11-A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Years Ended August 31,				
	2025	2024	2023	2022	2021
Revenues:					
Local and Intermediate Sources	$ 12,832,582	$ 13,568,076	$ 12,603,537	$ 11,265,189	$ 11,288,255
State Sources	26,484,502	24,734,536	20,943,274	22,308,000	21,099,165
Federal Sources	509,559	492,168	825,815	1,571,827	184,832
Total Revenues	$ 39,826,643	$ 38,794,780	$ 34,372,626	$ 35,145,016	$ 32,572,252
Expenditures:					
Instruction	$ 20,585,034	$ 18,951,528	$ 14,679,897	$ 12,552,927	$ 16,546,184
Instructional Resource and Media Services	273,981	258,240	229,649	240,178	297,249
Curriculum & Instructional Staff Development	299,594	382,279	360,508	448,333	380,978
Instructional Leadership	1,110,448	876,080	834,283	715,616	727,285
School Leadership	3,136,964	2,883,659	2,727,703	2,471,062	2,358,596
Guidance, Counseling & Evaluation Services	889,611	777,887	701,685	793,667	749,589
Social Work Services	226,308	124,783	168,782	8,510	123,065
Health Services	307,090	288,672	265,737	301,854	246,581
Student (Pupil) Transportation	2,189,099	2,082,331	1,620,434	1,712,022	1,608,167
Food Services	-	62,739	10,479	76,643	28,669
Extracurricular Activities	1,850,536	1,719,887	1,870,454	1,678,729	1,475,381
General Administration	1,778,247	1,697,535	1,586,397	1,439,520	1,349,671
Facilities Maintenance and Operations	4,396,798	3,901,250	4,305,469	3,522,877	3,358,395
Security & Monitoring Services	1,098,789	941,520	910,196	652,264	526,782
Data Processing Services	1,343,280	1,407,579	1,409,236	1,560,363	1,252,199
Community Services	-	2,068	2,070	-	1,030
Payments to Juv. Justice Alt. Ed. Program	44,147	28,435	42,024	19,849	20,380
Debt Service-Principal and Interest on Long-Term Deb	246,573	283,470	332,708	368,828	262,811
Facilities Acquisition and Construction	513,748	1,654,528	84,562	-	237,189
Other Intergovernmental Charges	177,913	143,598	159,527	117,826	109,499
Total Expenditures	$ 40,468,160	$ 38,468,068	$ 32,301,800	$ 28,681,068	$ 31,659,700
Excess (Deficiency) of Revenues Over Expenditures	$ (641,517)	$ 326,712	$ 2,070,826	$ 6,463,948	$ 912,552
Other Resources and (Uses), Transfers In (Out)	$ 831,599	$ (891,170)	$ -	$ 97,062	$ (8,891)
Net Change in Fund Balances	$ 190,082	$ (564,458)	$ 2,070,826	$ 6,561,010	$ 903,661
Beginning Fund Balance on September 1	$ 16,081,870	$ 16,646,328	$ 14,575,502	$ 8,014,492	$ 7,110,831
Prior Period Adjustment	137,521	-	-	-	-
Ending Fund Balance on August 31 (1)	$ 16,409,473	$ 16,081,870	$ 16,646,328	$ 14,575,502	$ 8,014,492

(1) The District's estimated general fund balance for FYE 2025 is expected to be approximately $17.12 million.

Source: The District's audited financial statements.

FINANCIAL POLICIES

Summary of Significant Accounting Policies . . . The District is a public education agency operating under the applicable laws and regulations of the State of Texas. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board ("GASB") and other authoritative sources identified in Statement on Auditing Standards No. 69 of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of the Texas Education Agency's Financial Accountability System Resource Guide, issued by the Texas Education Agency, and the requirements of contracts and grants of agencies from which it receives funds.

The District has implemented GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments (GASB Statement No. 34), GASB Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments-Omnibus which provides additional guidance for the implementation of GASB Statement No. 34, and GASB Statement No. 38, Certain Financial Statement Note Disclosures which note disclosure requirements for governmental entities. The GASB determined that fund accounting has and will continue to be essential in helping governments to achieve fiscal accountability and should, therefore, be retained. The GASB also determined that government-wide financial statements are needed to allow the users of financial reports to assess a government's operational accountability. The new GASB model integrates fund-based financial reporting and government-wide financial reporting as complementary components of a single comprehensive financial reporting model.

Basis of Presentation . . . *Government-wide financial statements* - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal Service fund activity is eliminated to avoid overstatement of revenues and expenses. The statements distinguish between governmental and business-type activities of the District.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore are clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. All taxes and revenues not classified as program revenues are presented as general revenues of the District.

Fund Financial Statements - Fund financial statements report detailed information about the District. Their focus is on major funds rather than reporting funds by type. Each major governmental aid fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Basis of Accounting . . . Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting,* as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing related to cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

Revenues from state and federal grants are recognized as earned when the related program expenditures are incurred. Revenues from local sources consist primarily of property taxes. Property tax revenues are recognized under the susceptible to accrual concept. Funds received but unearned are reflected as deferred revenues, and funds expended but not yet received are shown as receivables. For state entitlements, the District has adopted a budgetary basis of accounting for Foundation School Program revenues. Such entitlements are recorded as received.

Interest revenue and building rentals are recorded when earned since they are measurable and available. Other revenues such as fees, tuition, local food service revenue, and miscellaneous revenues are accounted for on the cash basis.

Expenditures are recognized in the accounting period in which the fund liability is incurred when measurable, except expenditures for debt service including unmatured interest on long-term debt. Expenditures for principal and interest on long-term debt are recognized when due.

Budgetary Data . . . The District is required by State law to adopt annual budgets for the General Fund, Debt Service Fund and the Food Service Special Revenue Fund, which is included within the Special Revenue Funds. The remaining Special Revenue Funds and the Capital Projects Fund adopt project-length budgets that do not correspond to the District's fiscal year. Each budget is presented on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles ("GAAP"). The budget is prepared and controlled at the function level.

The official school budget is prepared for adoption for required governmental funds prior to August 20 of the preceding fiscal year for the subsequent fiscal year beginning September 1. The Board formally adopts the budget at a public meeting held at least ten days after public notice has been given. Once adopted, the budget can be amended by subsequent Board action.

INVESTMENTS

The District invests its funds in investments authorized by Texas law in accordance with investment policies approved by the Board of Trustees of the District. 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 obligations meeting the requirements of the Public Funds Investment Act, Texas Government Code, Chapter 2256, as amended (the "PFIA"), which may include: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which 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 or designated investment committee of the entity 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 investing entity'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 its custodian of the banking deposits issued for its 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 SEC and operating under Securities and Exchange Commission Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of the PFIA that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the 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) of the Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the District with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described in clauses (1) or (12), or, if applicable, corporate bonds as described below, require the securities being purchased by the District or cash held by the District to be pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) 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 Securities and Exchange Commission 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.); (14) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and either (a) a duration of one year or more and invest exclusively in obligations described 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; and (15) for bond proceeds, guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract and are pledged to the District and deposited with the District or a third party selected and approved by the District. 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 in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

The District is also authorized to purchase, sell, and invest its funds in corporate bonds, but only if the District has formally amended its investment policy to authorize such investments. "Corporate bond" is defined as a senior secured debt obligation issued by a domestic business entity and rated not lower than "AA-" or the equivalent by a nationally recognized investment rating firm (does not include convertible bonds or unsecured debt). The bonds must have a stated final maturity that is not later than 3 years from the date the corporate bonds were purchased. The District may not (1) invest more than 15 percent of its monthly average fund balance (excluding bond proceeds, reserves, and other funds held for the payment of debt service), in corporate bonds; or (2) invest more than 25 percent of the funds invested in corporate bonds in any one domestic business entity, including subsidiaries and affiliates of the entity. The District must sell corporate bonds if they are rated "AA-" or its equivalent and are either downgraded or placed on negative credit watch. Corporate bonds are not an eligible investment for a public funds investment pool. The District has not taken the required steps to authorize the investment of District funds in corporate bonds.

Governmental bodies in the State are authorized to implement securities lending programs if (i) the value of 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) of the first paragraph under this subcaption, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm not less than "A" or its equivalent, or (c) cash invested in obligations that are described in clauses (1) through (8) and (12) through (14) of the first paragraph under this subcaption, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the governmental body, held in the name of the governmental body 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.

An eligible political subdivision such as the District may enter into hedging transactions, including hedging contracts, related security, credit, and insurance agreements in connection with commodities used the political subdivision in its general operations, with the acquisition or construction of a capital project, or with an eligible project. A hedging transaction must comply with the regulations of the Commodity Futures Trading Commission and the SEC. The political subdivision may pledge to such contracts or agreements any general or special revenues or funds it is authorized by law to pledge to the payment of any other obligations. The political subdivision's cost under such contract or agreement may be considered an operations and maintenance expense, an acquisition costs, a project cost, or a construction expense.

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.

INVESTMENT POLICIES . . . Under Texas 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 includes a list of authorized investments for District funds, maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Public Funds Investment Act. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each funds' 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 Texas law, District 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 investment officers of the District shall submit an investment report detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, ending market value and fully accrued interest for the reporting period for each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) State law. No person may invest District funds without express written authority from the Board of Trustees.

ADDITIONAL PROVISIONS . . . Under Texas law, the District is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the District to disclose the relationship and file a statement with the Texas Ethics Commission and the Board of Trustees; (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 or relates to investment transactions of the District that are not made through accounts of other contractual arrangements over which the business organization has accepted discretionary investment authority), and (c) deliver a written statement in a form acceptable to the District and the business organization attesting to these requirements; (5) 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 purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the District.

TABLE 12 - CURRENT INVESTMENTS

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

Description of Investment	Percent	Market Value
Texas Class Fund	85.73%	$ 69,441,943
Texas Range Fund	14.27%	11,560,918
TOTAL	100.00%	$ 81,002,861

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TAX MATTERS

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

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

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

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

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

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

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

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

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

The purchase price of certain Bonds (the "Premium Bonds") paid by an owner may be greater than the amount payable on such Bonds at maturity. An amount equal to the excess of a purchaser's tax basis in a Premium Bond over the amount payable at maturity constitutes premium to such purchaser. The basis for federal income tax purposes of a Premium Bond in the hands of such 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. 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 that is amortizable each year by a purchaser is determined by using such purchaser's yield to maturity.

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

CONTINUING DISCLOSURE 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 Electronic Municipal Market Access ("EMMA") system. See "Appendix D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" for a description of the TEA's continuing disclosure undertaking to provide certain updated financial information and operating data annually with respect to the Permanent School Fund and the State, as the case may be, and to provide timely notice of specified events related to the guarantee to the MSRB.

ANNUAL REPORTS . . . The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under Tables numbered 1 through 5 and 7 through 12 and in Appendix B, which is the District's annual audited financial report. 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 August 31. Accordingly, the District must provide updated information included in the above-referenced tables by the last day of February 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 August 31 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 Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule").

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

For these purposes, any event described in clauses (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

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

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

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if (1) the agreement, as amended would have permitted an underwriter to purchase or sell the Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances, and (2) either (a) the registered owners of a majority in aggregate principal amount (or any greater amount required by any other provisions of the Order that authorizes such amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the registered owners and beneficial owners of the Bonds. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, 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 amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in type of information and data provided.

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

OTHER INFORMATION

Ratings

The Bonds have been rated "A1" by Moody's Ratings ("Moody's") without regard to credit enhancement. **The Bonds did not receive an enhanced rating.** An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the respective views of such organizations and the District makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

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

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 registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities acts of any 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 or qualification provisions.

It is the obligation of the Underwriter 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 Underwriter's 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, investment securities 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. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least $1 million of capital, and savings and loan associations. In accordance with the PFIA, the Bonds must be rated not less than "A" or its equivalent as to investment quality by a national rating agency in order for most municipalities or other political subdivisions or public agencies of the State of Texas to be authorized to invest in the Bonds, except for purchases for interest and sinking funds of such entities. See "OTHER INFORMATION – Ratings" herein. Moreover, municipalities or other political subdivisions or public agencies of the State that have adopted investment policies and guidelines in accordance with the PFIA may have other, more stringent requirements for purchasing securities, including the Bonds.

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 delivery of the Bonds is subject to the approval of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, without legal limitation as to rate or amount, upon all taxable property in the District and the approving legal opinion of Bond Counsel. The form of Bond Counsel's opinion is attached hereto as Appendix C. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the definitive Bonds in the event of the discontinuance of the Book-Entry-Only System.

Bond Counsel was engaged by, and only represents, the District. Except as noted below, Bond Counsel 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 herein except that in its capacity as Bond Counsel, such firm has reviewed the information appearing under the captions and subcaptions "PLAN OF FINANCING – Refunded Bonds," "THE BONDS" (except under the subcaptions "Book-Entry-Only System," "Yield on Premium Capital Appreciation Bonds," and "Bondholders' Remedies"), "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 (except under the subcaption "Compliance with Prior Undertakings"), and the subcaptions "Registration and Qualification of Bonds for Sale," "Legal Investments and Eligibility to Secure Public Funds in Texas" and "Legal Matters" (except for the last sentence of the second paragraph thereof) under the caption "OTHER INFORMATION", and such firm is of the opinion that the information relating to the Bonds and legal matters 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 Order. Certain legal matters will be passed upon for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe LLP, Austin, 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 opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Weather Events

The District is located in north Texas. Land located in this area is susceptible to high winds, tornados, 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 school districts to increase property tax rates without voter approval upon the occurrence of certain disasters such as a tornado, flooding or extreme drought and upon gubernatorial or presidential declaration of disaster. There can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will carry flood or the appropriate, applicable other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds or that insurance proceeds will be used to rebuild or repay any damaged improvements within the District or be sufficient for such purposes. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District could be adversely affected.

Cybersecurity

Computer networks and data transmission and collection are vital to the operations of the District. Information technology and infrastructure of the District may be subject to attacks by outside or internal hackers and may be subject to breach by employee error, negligence or malfeasance. An attack or breach could compromise systems and the information stored thereon, result in the loss of confidential or proprietary data and disrupt the operations of the District. To mitigate these risks, the District continuously endeavors to improve the range of control for digital information operations, enhancements to the authentication process, and additional measures toward improving system protection/security posture, including required training for District staff and administration.

Municipal Advisor

Hilltop Securities Inc., is employed as Municipal Advisor to the District in connection with the issuance of the Bonds. The Municipal Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Municipal Advisor has agreed, in its Municipal Advisory contract, not to bid for the Bonds, either independently or as a member of a syndicate organized to submit a bid for the Bonds. Hilltop Securities Inc., in its capacity as Municipal 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 Municipal Advisor to the District has provided the following sentence for inclusion in this Official Statement. The Municipal 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 Municipal Advisor does not guarantee the accuracy or completeness of such information.

UNDERWRITING

The Underwriter has agreed, subject to certain conditions, to purchase the Bonds from the District at a price equal to the initial offering price to the public, as shown on page 2 hereof, less an underwriting discount of $___________. The Underwriter 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 Underwriter 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 Underwriter.

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

VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS

The Verification Agent will deliver to the District, on or before the settlement date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of the mathematical computations (a) of the adequacy of the cash and the maturing principal of and interest on the Escrowed Securities, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Bonds and (b) the mathematical computations of yield and certain other information.

The Verification Agent relied on the accuracy, completeness and reliability of all information provided by, and on all decisions and approvals of, the District. In addition, the Verification Agent has relied on any information provided by the District's retained advisors, consultants or legal counsel.

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 orders contained in this Official Statement are made subject to all of the provisions of such statutes, documents and orders. These summaries do not purport to be complete statements of such provisions and reference is made to such statutes, documents and orders 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, the Rule.

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

SCHEDULE I - SCHEDULE OF REFUNDED BONDS
(preliminary, subject to change)

La Vega Independent School District
Unlimited Tax Refunding Bonds, Series 2015

Original Dated Date	Original Maturity (February 15)	Interest Rates	Principal Amount Outstanding	Principal Amount Being Refunded	Principal Amount Remaining	Redemption Date
November 1, 2015	2027	4.000%	$ 405,000	$ 405,000	$ -	September 30, 2026
	2028	4.000%	425,000	425,000	-	September 30, 2026
	2029	4.000%	445,000	445,000	-	September 30, 2026
	2030	4.000%	460,000	460,000	-	September 30, 2026
	2031	4.000%	485,000	485,000	-	September 30, 2026
			$ 2,220,000	**$ 2,220,000**	**$ -**	

SCHEDULE II - SCHEDULE OF ACCRETED VALUES OF PREMIUM CAPITAL APPRECIATION BONDS
(preliminary, subject to change)

Accretion Date	Maturing 8/28/2026
8/26/2026	$ -
8/28/2026	-

APPENDIX A

GENERAL INFORMATION REGARDING THE DISTRICT

THE DISTRICT

The La Vega Independent School District is located in McLennan County north of downtown Waco, Texas. The District has an area of approximately 30 square miles and includes portions of the Cities of Bellmead, Lacy-Lakeview and Waco. McLennan County is a leading transportation and market distribution center and government center for Central Texas with a diversified manufacturing base. Agribusiness and education are primary activities in the County. Minerals found in the County include sand, gravel, limestone, oil and gas.

DISTRICT ENROLLMENT

School Year	Total Enrollment	Average Daily Attendance
2021/22	3,090	2,950.95
2022/23	3,017	2,805.81
2023/24	3,123	2,851.30
2024/25	3,076	2,856.99
2025/26	3,074	2,863.43

Source: The District.

TEACHER AND EMPLOYEE INFORMATION

Number of teachers holding masters degrees	35
Number of teachers holding bachelors degrees	154
Employee Information	
Number of Employees	502
Number of Teachers	207
Pupil/Teacher Ratios	
Primary/Elementary Schools	14.96:1
Intermediate Schools	17.88:1
Junior High Schools	13.57:1
High Schools	13.58:1

Source: The District.

CAMPUS INFORMATION

Campus	Number of Schools	Capacity	Number of Portables
Elementary Schools	2	1,120	0
Intermediate Schools	1	750	0
Junior High Schools	1	450	0
High Schools	1	850	3
Totals	5	3,170	3

Source: The District.

LABOR FORCE ESTIMATES

	Annual Averages				
	2026 [1]	2025	2024	2023	2022
McLennan County					
Civilian Labor Force	131,950	131,769	130,631	129,409	126,753
Total Employment	126,723	126,547	125,646	124,650	122,139
Unemployment	5,227	5,222	4,985	4,759	4,614
Percent Unemployment	4.0%	4.0%	3.8%	3.7%	3.6%
State of Texas					
Civilian Labor Force	15,915,979	15,883,632	15,628,870	15,067,153	14,672,312
Total Employment	15,238,091	15,218,369	14,985,161	14,472,524	14,093,906
Unemployment	677,888	665,263	643,709	594,629	578,406
Percent Unemployment	4.3%	4.2%	4.1%	3.9%	3.9%

(1) As of June 2026.

Source: Texas Workforce Commission.

APPENDIX B

EXCERPTS FROM THE

LA VEGA INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

For the Year Ended August 31, 2025

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

JRBT, PC
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INDEPENDENT AUDITOR'S REPORT

The Board of School Trustees
La Vega Independent School District:

Report on the Audit of Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of August 31, 2025 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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 the 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 *Governmental 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 *Governmental 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages viii through xv, the budgetary comparison information on pages 48 and 49, and the schedules of the District's proportionate share of the net pension/OPEB liabilities and contributions on pages 50 through 57 (collectively, "the required supplementary information") be presented to supplement the basic financial statements.

Such information, 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 accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis 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"), and is not a required part of the basic financial statements. The other supplementary schedules, as listed in the table of contents, except for the schedule of Compensatory Education and Bilingual Education Programs, are presented for purposes of additional analysis and also are not a required part of the basic financial statements.

The schedule of expenditures of federal awards and the other supplementary information, except for the schedule of Compensatory Education and Bilingual Education Programs, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 or other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and the other supplementary information, except for the schedule of Compensatory Education and Bilingual Education Programs, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Management is responsible for the other information, the schedule of Compensatory Education and Bilingual Education Programs on page 67, included in the annual financial report. The information comprises the schedule of Compensatory Education and Bilingual Education Programs on page 67 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 upon 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 December 15, 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 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 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.

JRBT, PC

December 15, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report for La Vega Independent School District (the "District") presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2025. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by $13.3 million, an increase in net position of $5.5 million as compared to an increase in net position of $4.5 million in the prior year. The unrestricted net position of the District at August 31, 2025 is a deficit of $5.6 million, which results primarily from the District's recognition of net pension and other postemployment benefits ("OPEB") liabilities of $19.4 million.
- During the current year, the District issued bonded debt in the amount of $91.3 million, and received premiums on the bonds in the amount of $2.4 million.
- Effective September 1, 2024, the District adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 101, *Compensated Absences,* which resulted in a decrease in beginning net position of $0.8 million.
- As of the close of 2025, the District's governmental funds reported combined ending fund balances of $109.5 million, an increase of $84.1 million in comparison with the prior year which resulted primarily from the issuance of $91.3 million in construction bonds during the current year, and offset by ongoing construction costs of $12.0 million.
- At the end of the current fiscal year, unassigned fund balance for the general fund was $15.4 million, or approximately 38% of the total 2025 general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – *management's discussion and analysis* (this section), the *basic financial statements, required supplementary information,* and *other supplementary information.*

The basic financial statements include two kinds of statements that present different views of the District: The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's *overall* financial status. The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.

The *governmental funds* statements tell how general education services were financed in the short term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. The statements also include other supplementary information as required by the Texas Education Agency. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-wide Financial Statements

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

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

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

The governmental activities of the District include all of the District's basic services, such as instruction, curriculum and staff development, student services, extracurricular activities, general administration, and plant maintenance and operations. Property taxes, state aid, and federal and state grants finance most of these activities.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are governmental funds or 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 or spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains approximately twenty-seven individual governmental funds. Information is presented in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund, and the capital projects funds, which are considered to be major funds. Data from the other governmental funds are combined into a single aggregated presentation.

The District adopts an annual appropriated budget for its general fund, child nutrition fund, and debt service fund. Budgetary comparison statements are included in supplemental information to demonstrate compliance with these budgets.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The private purpose trust fund is used to report resources held in trust for scholarships. The custodial fund reports resources held by the District in a custodial capacity for student groups.

Notes to the Financial Statements and Other Information

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the District's progress in funding its obligation to provide pension and OPEB benefits. Additional supplementary information is presented as required by the Texas Education Agency.

GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by $13,263,492 at the close of the most recent fiscal year.

La Vega Independent School District
Net Position
August 31, 2025 and 2024

	Governmental Activities	
	2025	2024
Current and other assets	$ 113,919,855	28,966,491
Capital assets	49,137,283	37,643,886
Total assets	163,057,138	66,610,377
Deferred outflows of resources:	9,162,928	10,640,142
Current liabilities	4,137,063	3,179,091
Long-term liabilities	144,604,594	52,393,267
	148,741,657	55,572,358
Deferred inflows of resources:	10,214,917	13,120,144
Net position:		
Net investment in capital assets	8,632,128	4,951,387
Restricted	10,241,656	9,122,181
Unrestricted	(5,610,292)	(5,515,551)
	$ 13,263,492	8,558,017

The District has a net investment in capital assets of $8,632,128 at August 31, 2025, which reflects its net investment in capital assets (e.g., land, buildings and improvements, furniture and equipment, and right-of-use assets) less any outstanding debt that was used to acquire those assets. The District uses these capital assets to provide public educational services to its students. Accordingly, these assets are not available for future spending. Although the District’s investment in 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.

An additional portion of the District’s net position ($10,241,656) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* is a deficit of $5,610,292.

La Vega Independent School District
Changes in Net Position
Years Ended August 31, 2025 and 2024

	Governmental Activities	
	2025	2024
Revenues:		
Program revenues:		
Charges for services	$ 378,380	394,782
Operating grants and contributions	10,420,293	12,923,333
General revenues:		
Maintenance and operations property taxes	11,452,024	10,286,430
Debt service property taxes	7,659,466	3,407,100
State aid formula grants	24,027,947	22,446,068
Grants and contributions not restricted	203,426	102,546
Investment revenue	4,908,892	1,405,734
Gain on disposition of capital assets	-	1,839,113
Miscellaneous	437,138	275,381
Total revenue	59,487,566	53,080,487
Expenses:		
Instruction and instructional-related services	25,351,093	25,716,981
Instructional and school leadership	4,654,781	4,202,903
Support services - students	8,950,974	8,709,711
Administrative support services	1,885,573	1,909,896
Support services - non-student based	7,254,320	6,716,149
Ancillary services	160,709	65,541
Interest on long-term debt	4,663,564	1,052,316
Other debt service fees	796,961	7,158
Other intergovernmental charges	237,060	172,033
Total expenses	53,955,035	48,552,688
Increase in net position	5,532,531	4,527,799
Net position, beginning of year, as previously reported	8,558,017	4,030,218
Restatement - adopt new accounting pronouncement	(827,056)	-
Net position, beginning of year, as restated	7,730,961	4,030,218
Net position, end of year	$ 13,263,492	8,558,017

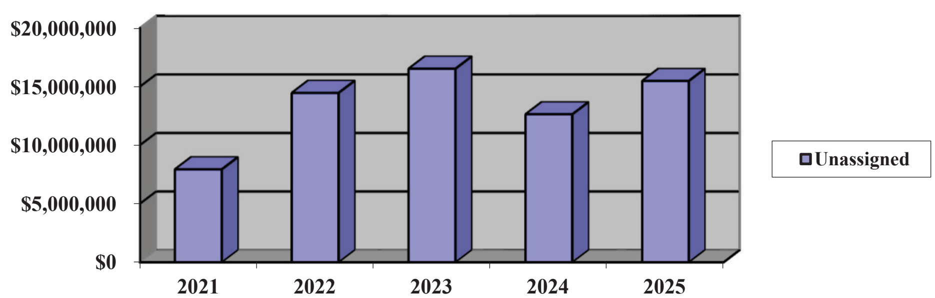
The District recognized an increase in net position of $5.5 million, compared to an increase of $4.5 million in the prior year, as a result of the following:

- Property taxes increased approximately $5.4 million primarily due to an increase in the interest and sinking ("I&S") tax rate of approximately $0.25 per $100 valuation in anticipation of the issuance of construction bonds in the amount of $91.3 million. State aid increased $1.6 million due to the state funding formula. Operating grants and contributions decreased $2.5 million due to the elimination of ESSER and other related COVID funding. Additionally, investment income increased $3.5 million due to investing the proceeds of the construction bonds of $91.3 million. Finally, in the prior year, the District recognized a gain of $1.8 million on disposition of capital assets due to insurance proceeds from wind damage.

- The cost of all governmental activities this year was $53.9 million, an increase of approximately $5.4 million from the prior year. There was an increase in salaries and related benefits expenses primarily due to state mandated "step increases" for teachers and an increase in interest expense and other bond fees of $4.4 million due to the issuance of construction bonds of $91.3 million.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The District's Board of School Trustees annually monitors the relative unassigned fund balance in the District's general fund. Most districts have an unassigned fund balance goal of 15% of the budget, or two to three months of operations costs for their fund balance. The unassigned fund balance in the general fund increased in 2025 from $12,627,700 to $15,475,480. The graph below reflects the historical trend fund balance for unassigned fund balance of the general fund.



The fund balance of the general fund increased by $0.2 million during the current fiscal year, compared to an decrease of $0.6 million in the prior year. Key factors in this change are as follows:

- Property taxes increased approximately $1.2 million due to increases in assessed values. State aid increased approximately $1.6 million due to the state funding formula.

- Total expenditures were $40.5 million and $38.5 million in 2025 **and 2024**, respectively. This $2.0 million increase was primarily attributed to an increase in salaries and related benefits for step-increases and was offset by a decrease in capital outlay of approximately $1.0 million.

- The general fund received approximately $0.9 million from the capital projects fund as reimbursement for certain construction costs incurred in the prior year that were funded with the bond proceeds issued in the current year.

The fund balance of the debt service fund increased by approximately $0.8 million during the current fiscal year, compared to an increase of $2.0 million in the prior year. Property taxes increased $4.2 million due to an increase in the I&S tax rate of approximately $0.25 per $100 valuation and increases in assessed values. Expenditures consisted of scheduled principal and interest payments on outstanding debt and included the first annual principal and interest payments on the newly issued construction bonds of $91.3 million that amounted to approximately $5.1 million.

The fund balance of the capital projects fund increased by approximately $82.9 million during the current fiscal year due which resulted primarily from the issuance of $91.3 million in construction bonds during the current year, and offset by ongoing construction costs of $12.0 million. Investment income increased by $3.7 million due to the investment of the proceeds from the $91.3 million of construction bonds.

General Fund Budgetary Highlights

There was approximately $6.8 million difference between the original budget and the final amended budget for total expenditures of the general fund. The primary differences consisted of $3.5 million, $0.3 million, and $0.6 million for additional instruction, and instructional and school leadership salaries that were not originally budgeted; $0.8 million in maintenance for increases in insurance costs from the original budget; $0.6 million in security for salaries that were not originally budgeted; and $0.8 million in capital outlay for facilities for the new awning at the high school.

Expenditures in the general fund exceeded appropriations for student transportation ($88,089), payments to JJAEP ($1,476) and principal and interest ($65,573) primarily due to expenditures that were in excess of budgeted amounts and principal and interest payments that were required due to GASB 87, *Leases*. These over-expenditures were funded by other functions that were less than budgeted amounts in the general fund.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The District's investment in capital assets for its governmental activities as of August 31, 2025 amounts to $49.1 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, furniture and equipment, and right-of-use assets under leases.

Major capital asset events during the current fiscal year included $1.3 million for the purchase of nine new school buses and $0.2 million for building improvements to the Primary School. Construction in progress included ongoing projects and amounted to $12.4 million.

Additional information on the District's capital assets can be found in Note 9.

Long-term Debt

The State of Texas backs the District's bonds with its "AAA/stable" rating. This bond rating helps the District by reducing the costs of any debt issued. At the end of the current fiscal year, the District had total bonded debt outstanding of $123.4 million, which includes the current year issuance of construction bonds in the amount of $91.3 million. Reductions in long-term debt were the result of scheduled principal payments and increases in the net pension liability and total OPEB liability of $0.9 million.

Additional information on the District's long-term debt can be found in Note 10.

Economic Factors and Next Year's Budget

For 2026, the District adopted a budget deficit for the general fund of approximately $0.7 million. The overall tax rate adopted for 2026 is the same as the 2025 tax rate.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District's Administration Building, La Vega Independent School District, 400 E. Loop 340, Waco, Texas 76705.

Basic Financial Statements

Exhibit A-1

La Vega Independent School District

Statement of Net Position

August 31, 2025

Data Control Codes			Governmental Activities
	Assets		
1110	Cash and cash equivalents	$	102,863,333
1225	Property taxes receivable, net of allowance for uncollectibles of $338,573		507,859
1240	Due from other governments		5,936,099
1300	Inventories		152,882
1400	Prepaid expenses		33,438
1900	Long-term investment		4,426,244
	Capital assets, not depreciated:		
1510	Land		431,650
1580	Construction in progress		12,386,835
	Capital assets, net of accumulated depreciation:		
1520	Buildings, net		33,427,691
1530	Furniture and equipment, net		2,855,848
1552	Right-of-use lease assets - equipment, net		35,259
	Total assets		163,057,138
	Deferred Outflows of Resources		
1700	Deferred outflows of resources		9,162,928
	Liabilities		
2110	Accounts payable		1,657,811
2140	Accrued interest payable		215,105
2150	Payroll deductions and withholdings		93,613
2160	Accrued wages payable		1,930,554
2200	Other accrued expenses		52,776
2300	Unearned revenue		187,204
	Noncurrent liabilities:		
2501	Due within one year		2,550,206
	Due after one year:		
2502	Bonds, loans payable, lease liabilities, and accrued compensated absences		122,215,025
2502	Accumulation accretion on capital appreciation bonds		412,908
2540	Net pension liability		11,148,504
2545	Other postemployment benefits liability		8,277,951
	Total due after one year		142,054,388
	Total liabilities		148,741,657
	Deferred Inflows of Resources		
2600	Deferred inflows of resources		10,214,917
	Net Position		
3200	Net investment in capital assets		8,632,128
	Restricted for:		
3820	Grant requirements		1,609,116
3850	Debt service		8,632,540
3900	Unrestricted		(5,610,292)
	Total net position	$	13,263,492

See accompanying notes to financial statements.

Exhibit B-1

La Vega Independent School District

Statement of Activities

Year Ended August 31, 2025

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues 3 Charges for Services	Program Revenues 4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position 6 Governmental Activities
	Governmental activities:				
11	Instruction	$ 24,377,847	36,483	4,560,198	(19,781,166)
12	Instructional resources and media services	288,432	-	20,934	(267,498)
13	Curriculum and instructional staff development	684,814	-	373,175	(311,639)
21	Instructional leadership	1,312,167	-	250,925	(1,061,242)
23	School leadership	3,342,614	-	329,808	(3,012,806)
31	Guidance, counseling, and evaluation services	1,108,275	-	233,497	(874,778)
32	Social work services	449,386	-	225,757	(223,629)
33	Health services	323,907	-	26,837	(297,070)
34	Student transportation	2,366,094	-	370,527	(1,995,567)
35	Food services	2,647,276	113,812	2,577,380	43,916
36	Extracurricular activities	2,056,036	228,085	211,907	(1,616,044)
41	General administration	1,885,573	-	141,773	(1,743,800)
51	Facilities maintenance and operations	4,657,405	-	211,960	(4,445,445)
52	Security and monitoring services	1,187,612	-	281,836	(905,776)
53	Data processing services	1,409,303	-	52,964	(1,356,339)
61	Community services	160,709	-	160,709	-
72	Interest on long-term debt	4,663,564	-	375,106	(4,288,458)
73	Other debt service fees	796,961	-	-	(796,961)
95	Payment to JJAEP	44,147	-	-	(44,147)
99	Other intergovernmental charges	192,913	-	15,000	(177,913)
	Total governmental activities	$ 53,955,035	378,380	10,420,293	(43,156,362)

Data Control Codes		
	General revenues:	
	Taxes:	
MT	Property taxes, levied for general purposes	11,452,024
DT	Property taxes, levied for debt service	7,659,466
SF	State aid-formula grants	24,027,947
GC	Grants and contributions not restricted	203,426
IE	Investment earnings	4,908,892
MI	Miscellaneous local revenue	437,138
TR	Total general revenues	48,688,893
CN	Change in net position	5,532,531
NB	Net position, beginning of year, as previously reported	8,558,017
	Restatement	(827,056)
NB	Net position, beginning of year, as restated	7,730,961
NE	Net position, end of year	$ 13,263,492

See accompanying notes to financial statements.

La Vega Independent School District

Balance Sheet – Governmental Funds

August 31, 2025

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
	Assets					
1110	Cash and cash equivalents	$ 12,865,927	4,004,364	84,109,882	1,883,160	102,863,333
1225	Taxes receivable, net of allowance for uncollectibles of $338,573	305,927	201,932	-	-	507,859
1240	Due from other governments	4,152,827	-	-	1,783,272	5,936,099
1260	Due from other funds	1,417,441	-	-	-	1,417,441
1300	Inventories	152,882	-	-	-	152,882
1411	Prepaid expenditures	33,438	-	-	-	33,438
1900	Other assets	-	4,426,244	-	-	4,426,244
	Total assets	$ 18,928,442	8,632,540	84,109,882	3,666,432	115,337,296
	Liabilities					
2110	Accounts payable	$ 319,375	-	1,202,385	136,051	1,657,811
2150	Payroll deductions and withholdings	93,613	-	-	-	93,613
2160	Accrued wages payable	1,747,924	-	-	182,630	1,930,554
2170	Due to other funds	-	-	-	1,417,441	1,417,441
2200	Accrued expenses	37,130	-	-	15,646	52,776
2300	Unearned revenues	15,000	-	-	172,204	187,204
	Total liabilities	2,213,042	-	1,202,385	1,923,972	5,339,399
	Deferred Inflows of Resources					
2600	Unavailable property tax revenue	305,927	201,932	-	-	507,859
	Fund Balances					
	Nonspendable:					
3410	Inventories	152,882	-	-	-	152,882
3430	Prepaid expenditures	33,438	-	-	-	33,438
	Restricted for:					
3450	Grant requirements	-	-	-	1,609,116	1,609,116
3470	Construction	-	-	82,907,497	-	82,907,497
3480	Retirement of long-term debt	-	8,430,608	-	-	8,430,608
	Committed for:					
3545	Campus activities	-	-	-	133,344	133,344
	Assigned for:					
3590	Subsequent year's budget: appropriation of fund balance	747,673	-	-	-	747,673
3600	Unassigned	15,475,480	-	-	-	15,475,480
	Total fund balances	16,409,473	8,430,608	82,907,497	1,742,460	109,490,038
	Total liabilities, deferred inflows of resources, and fund balances	$ 18,928,442	8,632,540	84,109,882	3,666,432	115,337,296

See accompanying notes to financial statements.

La Vega Independent School District

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position for Governmental Activities

August 31, 2025

Data Control Codes			
	Total fund balances - governmental funds (Exhibit C-1)	$	109,490,038
1	Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		49,137,283
2	Other long-term assets are not available to pay for current period expenditures and therefore are unavailable revenue in the funds.		507,859
3	Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		(145,871,688)
19	Net positon of governmental activities (Exhibit A-1)	$	13,263,492

See accompanying notes to financial statements.

Exhibit C-3

La Vega Independent School District

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

Year Ended August 31, 2025

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
	Revenues:					
5700	Local and intermediate sources	$ 12,832,582	7,945,027	3,751,727	435,102	24,964,438
5800	State program revenues	26,484,502	257,081	-	990,279	27,731,862
5900	Federal program revenues	509,559	118,025	-	5,604,325	6,231,909
5020	Total revenues	39,826,643	8,320,133	3,751,727	7,029,706	58,928,209
	Expenditures:					
	Current:					
0011	Instruction	20,585,034	-	10,446	2,856,345	23,451,825
0012	Instructional resources and media services	273,981	-	-	-	273,981
0013	Curriculum and staff development	299,594	-	-	349,413	649,007
0021	Instructional leadership	1,110,448	-	-	170,201	1,280,649
0023	School leadership	3,136,964	-	-	78,362	3,215,326
0031	Guidance, counseling, and evaluation services	889,611	-	-	165,566	1,055,177
0032	Social work services	226,308	-	-	211,089	437,397
0033	Health services	307,090	-	-	-	307,090
0034	Student transportation	2,189,099	-	1,314,800	97,794	3,601,693
0035	Food service	-	-	-	2,520,166	2,520,166
0036	Extracurricular activities	1,850,536	-	20,892	132,195	2,003,623
0041	General administration	1,778,247	-	15,059	40,000	1,833,306
0051	Facilities maintenance and operations	4,396,798	-	11,878	24,704	4,433,380
0052	Security and monitoring services	1,098,789	-	-	95,126	1,193,915
0053	Data processing services	1,343,280	-	21,069	-	1,364,349
0061	Community services	-	-	-	160,709	160,709
0095	Payments to JJAEP	44,147	-	-	-	44,147
0099	Other intergovernmental charges	177,913	-	-	15,000	192,913
	Debt service:				-	
0071	Principal on long-term debt	227,856	2,770,000	-	-	2,997,856
0072	Interest on long-term debt	18,717	4,681,627	-	-	4,700,344
0073	Other fees	-	4,188	792,773	-	796,961
	Capital outlay:					
0081	Facilities acquisition	513,748	-	11,502,916	-	12,016,664
6030	Total expenditures	40,468,160	7,455,815	13,689,833	6,916,670	68,530,478
1100	Excess (deficiency) of revenues over (under) expenditures	(641,517)	864,318	(9,938,106)	113,036	(9,602,269)
	Other financing sources (uses):					
7911	Issuance of school building bonds	-	-	91,365,000	-	91,365,000
7916	Premiums on bonds	-	-	2,371,773	-	2,371,773
7915	Operating transfers in	891,170	-	-	59,571	950,741
8911	Operating transfers out	(59,571)	-	(891,170)	-	(950,741)
	Total other financing sources (uses)	831,599	-	92,845,603	59,571	93,736,773
	Net change in fund balance	190,082	864,318	82,907,497	172,607	84,134,504
0100	Fund balances, beginning of year, as previously reported	16,081,870	7,566,290	-	1,569,853	25,218,013
	Restatement - eliminate internal service fund	137,521	-	-	-	137,521
0100	Fund balances, beginning of year, as restated	16,219,391	7,566,290	-	1,569,853	25,355,534
3000	Fund balances, end of year	$ 16,409,473	8,430,608	82,907,497	1,742,460	109,490,038

See accompanying notes to financial statements.

La Vega Independent School District

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year Ended August 31, 2025

Net change in fund balances - total governmental funds (Exhibit C-3)	$ 84,134,504
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital expenditures ($13,465,293) exceeded depreciation expense ($1,971,896) in the current period.	11,493,397
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	53,820
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued; whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(90,702,137)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(48,381)
Governmental funds report contributions to pension/OPEB plans as expenditures, whereas pension/OPEB expense is recognized in the statement of activities. This is the amount by which the pension/OPEB benefit ($1,942,579) exceeded contributions to the pension/OPEB plans ($1,341,251) in the current period.	601,328
Change in net position of governmental activities (Exhibit B-1)	$ 5,532,531

See accompanying notes to financial statements.

La Vega Independent School District

Statement of Fiduciary Net Position -
Fiduciary Funds

August 31, 2025

	Private Purpose Trust Fund	Custodial Fund
Assets		
Cash and cash equivalents	$ 5,750	104,752
Total assets	5,750	104,752
Liabilities		
Accounts payable	$ -	15,331
Total liabilities	-	15,331
Net Position		
Restricted for individuals and organizations	$ 5,750	89,421

See accompanying notes to financial statements.

Exhibit E-2

La Vega Independent School District

Statement Changes in Fiduciary Net Position -
Fiduciary Funds

Year Ended August 31, 2025

	Private Purpose Trust Fund	Custodia1 Fund
Additions		
Collections for student organizations	$ -	99,046
Total additions	-	99,046
Deductions		
Payment of expenses for student organizations	-	103,752
Total deductions	-	103,752
Change in net position	-	(4,706)
Net position, beginning of year	5,750	94,127
Net position, end of year	$ 5,750	89,421

See accompanying notes to financial statements.

(1) Summary of Significant Accounting Policies

The Board of School Trustees (the "Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the La Vega Independent School District (the "District"). Because members of the Board are elected by the public; have the authority to make decisions, appoint administrators and managers, and significantly influence operations; and have the primary accountability for fiscal matters; the District is not included in any other governmental "reporting entity". Also, no component units were identified or included within the reporting entity.

The accounting policies of the District substantially comply with the rules prescribed in the Texas Education Agency's ("TEA") Financial Accountability System Resource Guide (the "Resource Guide"). These accounting policies generally conform to generally accepted accounting principles applicable to governmental units.

(a) Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

(1) Summary of Significant Accounting Policies (continued)

(b) Measurement focus, basis of accounting and financial statement presentation

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 revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental revenue and interest associated with the current fiscal period are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All property tax receivables are reported net of an allowance for uncollectible amounts. All other revenue items are considered to be measurable and available only when cash is received by the District.

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 general government, except those required to be accounted for in another fund.

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

The capital projects fund accounts for construction projects funded by general obligation bond issues.

(1) Summary of Significant Accounting Policies (continued)

(b) Measurement focus, basis of accounting and financial statement presentation (continued)

Additionally, the District reports the following fund types:

The private purpose trust fund accounts for resources legally held in trust for scholarships to be awarded to current and former students for post-secondary education. All resources of the fund, including any earnings on invested resources, may be used to support the activities listed in the preceding sentence.

Additionally, the District accounts for resources held for others in a custodial capacity in custodial funds. The District's custodial fund consists of the student activity funds.

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

(c) Investments

State statutes authorize the District to invest in obligations of the United States or its agencies and instrumentalities and state or local governments, commercial paper, guaranteed investment contracts, repurchase agreements, and certain governmental investment pools. The District's local investment policy limits the District to invest in obligations of the United States or its agencies and instrumentalities, certificates of deposit, fully collateralized repurchase agreements by obligations of the United States or its agencies and instrumentalities, money market mutual funds, and local government investment pools.

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

For its investment in a repurchase agreement carried at fair value, the District uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The District determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market.

(1) Summary of Significant Accounting Policies (continued)

(c) Investments (continued)

When considering market participant assumptions in fair value measurements for its investment in a repurchase agreement, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.

Level 2 Inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

(d) Interfund receivables and payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds”.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

(e) Supplies and inventory

All inventories are valued at cost using the first in/first out method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

(1) Summary of Significant Accounting Policies (continued)

(f) Capital assets

Capital assets, which include land, buildings and improvements, furniture and equipment, and right-of-use lease assets, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $10,000 ($5,000 prior to April 15, 2025) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Buildings and improvements, and furniture and equipment are depreciated using the straight-line method over their estimated useful lives:

	Years
Buildings and improvements	6 – 40
Furniture and equipment	4 – 15

(g) Compensated absences

The State of Texas entitles teachers and other eligible employees to five days of state personal leave per year that may be used for illness or discretionary purposes. State personal leave may be accumulated without limit and is transferable among Texas school districts and education service centers. The District also provides teachers and other eligible employees with five days of local leave per year. Local leave may accumulate without limit and is subject to the same terms and conditions as state personal leave.

Upon retirement from the District, the District pays up to a maximum of 80 unused state and local leave days at a rate of up to $100 per day. Maximum benefits shall only be paid to employees who have been employed by the District for ten years prior to retirement. Employees who have been employed five to nine years may draw 50% to 90% of the maximum benefit, respectively. Employees hired prior to July 1, 2023 receive an additional $25 per day for all days above 80 unused state and local leave days with no limit. If the employee is reemployed with the District, days for which the employee received payment shall not be available to that employee.

(1) Summary of Significant Accounting Policies (continued)

(g) Compensated absences (continued)

In the government-wide financial statements, the District has recognized a liability for unused state and local leave earned as of the end of the fiscal year. The liability represents the portion of accumulated leave that is expected to be used or paid in future periods.

Other eligible employees in positions requiring twelve months of service are entitled to ten vacation days per year. Vacation days must be used within the fiscal year and do not carryforward; therefore, no liability has been accrued for unused vacation.

(h) Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective-interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are recorded as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

(i) Pensions

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

(1) Summary of Significant Accounting Policies (continued)

(j) Other Postemployment Benefits ("OPEB")

The fiduciary net position of the Teacher Retirement System of Texas ("TRS") TRS Care Plan ("TRS-Care") has been determined using the flow of economic resources measurement focus and the full accrual basis of accounting. This includes for purposes of measuring the total 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 benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

(k) Deferred outflows and deferred inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources,* represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

(l) Fund balance and net position

Governmental fund balances classified as restricted are balances with constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the Board of School Trustees (the "Board") through an ordinance. Assigned fund balances are constrained by an intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by District management based upon Board direction. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed. The order of spending available resources is as follows: restricted, committed, assigned, and unassigned.

(1) Summary of Significant Accounting Policies (continued)

(l) Fund balance and net position (continued)

In the government-wide financial statements and fiduciary fund financial statements, net position represents the difference between assets, deferred outflows, liabilities, and deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvements of those assets, and adding back unspent bond proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

(m) Data control codes

Data control codes refer to the account code structure prescribed by the TEA in the Resource Guide.

(2) Reconciliation of Government-Wide and Fund Financial Statements

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains, "long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds." The details of this $145,871,688 difference are as follows:

Bonds payable	$ (118,814,999)
Premium on issuance	(4,631,069)
Deferred charge on refunding	429,416
Accumulated accretion on bonds	(412,908)
Loan payable	(396,000)
Lease liabilities	(47,726)
Accrued interest payable	(215,105)
Compensated absences	(875,437)
Net pension/OPEB liabilities, and related deferred inflows of $10,214,917 and deferred outflows of $8,733,512	(20,907,860)
	$ (145,871,688)

(2) Reconciliation of Government-Wide and Fund Financial Statements (continued)

The governmental statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net change in fund balances of total governmental funds and changes in net position of governmental activities as reported in the government-wide financial statements. An element of that reconciliation states that "the issuance of long-term debt (e.g., bonds and leases) provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position." The details of this $90,702,137 difference are as follows:

Issuance of general obligation bonds	$ (91,365,000)
Premiums on general obligation bonds	(2,371,773)
Principal repayments:	
General obligation and refunding bonds	2,770,000
Loan payable	132,000
Lease liabilities	95,856
Amortization of premiums received on issuance of bonds	293,619
Amortization of deferred charge on refunding of bonds	(36,118)
Accumulated accretion on capital appreciation bonds	(27,789)
Accrued interest payable	(192,932)
	$ (90,702,137)

(3) Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, the child nutrition special revenue fund, and the debt service fund. There is no legal requirement to adopt a budget for the instructional materials allotment special revenue fund; therefore, presentation of budgetary comparison information is not required. Budgets are not legally adopted for capital projects funds; however, specific projects are individually approved by the Board of School Trustees. All annual appropriations lapse at fiscal year-end. By August 20, the budget is legally adopted through passage of an appropriate ordinance by the Board of School Trustees.

The appropriated budget is prepared by fund, function, object code, program intent code, and location. The District's management may make transfers of appropriations within a function. Transfers or appropriations between functions require the approval of the Board of Trustees. The legal level of budgetary control (i.e. the level at which expenditures may not legally exceed appropriations) is the function level.

(3) Budgetary Information (continued)

There was approximately $6.8 million difference between the original budget and the final amended budget for total expenditures of the general fund. The primary differences consisted of $3.5 million, $0.3 million, and $0.6 million for additional instruction, and instructional and school leadership salaries that were not originally budgeted; $0.8 million in maintenance for increases in insurance costs from the original budget; $0.6 million in security for salaries that were not originally budgeted; and $0.8 million in capital outlay for facilities for the new awning at the high school.

Expenditures in the general fund exceeded appropriations for student transportation ($88,089), payments to JJAEP ($1,476) and principal and interest ($65,573) primarily due to expenditures that were in excess of budgeted amounts and principal and interest payments that were required due to GASB 87, *Leases*. These over-expenditures were funded by other functions that were less than budgeted amounts in the general fund.

Encumbrance accounting is employed in the governmental funds. Encumbrances (i.e. purchase orders, contracts) outstanding at year-end do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. There were no significant encumbrances outstanding at August 31, 2025.

(4) Deposits and Investments

Investments of the District at August 31, 2025, consist of the following:

Investments	Amount	Weighted Average Maturity (in Days)
Public funds investment pools - reported at amortized cost:		
Texas CLASS Local Government Investment Pool ("Texas CLASS")	$ 87,831,982	44
Texas Range Local Government Investment Pool ("Texas Range")	11,686,719	51
Total public funds investment pools	99,518,701	
Repurchase agreement - reported at fair value	4,426,244	
	$ 103,944,945	

(4) Deposits and Investments (continued)

Public Funds Investment Pools

The public funds investment pool has been created pursuant to the Interlocal Corporation Act of the State of Texas. The District has delegated the authority to hold legal title to the public funds investment pools and, as custodian, to make investment purchases with the District's funds.

Texas CLASS. The Texas Cooperative Liquid Assets Securities System Trust ("Texas CLASS") was created as a local government investment pool pursuant to state law. 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 governments that choose to participate in the trust ("participants"), Public Trust Advisors, LLC as program administrator, and UMB Bank, N.A. as custodian. Texas CLASS is overseen by a Board of Trustees ("the Board") comprised of active members of the pool and elected by the participants. The Board is guided by an Advisory Board and is responsible for selecting the program administrator. There are no maximum transaction amounts and withdrawals from Texas CLASS that may be made daily. Texas CLASS uses amortized cost rather than fair value to report net assets share price.

Texas Range. The Texas Range Local Government Investment Pool ("Texas Range") was established by the Common Investment Contract, in conformity with Chapters 791 (Interlocal Cooperation Act) and 2256 (Public Funds Investment Act) of the Texas Government Code. Texas Range is an agreement of indefinite term regarding the investment, reinvestment, and withdrawal of local government funds. The parties to the Interlocal Agreement are PFM Asset Management, LLC as investment advisor and administrator, and U.S. Bank, N.A. as custodian. Texas Range is guided by an Advisory Board which is made up of experienced local government finance directors and treasurers. There are no maximum transaction amounts and withdrawals from Texas Range that may be made daily. Texas Range uses amortized cost rather than fair value to report net assets share price.

Repurchase Agreement

In July 2010, the District invested in a repurchase agreement with a financial institution in connection with the issuance of $5,190,000 Series 2010B Unlimited Tax Qualified School Construction Bonds. Under the terms of the repurchase agreement, annual sinking fund requirements of $234,789 are deposited with the paying agent and are invested in eligible securities. Interest earned on the sinking fund deposits is 3.16% per annum under the

(4) Deposits and Investments (continued)

terms of the repurchase agreement, which has a maturity date of February 15, 2027. The maturity date of the repurchase agreement coincides with the maturity date of the bonds, as more fully described in Note 10. At August 31, 2025, the fair value of the repurchase agreement was $4,426,244, which is based upon estimated future cash flows (Level 3).

Interest Rate Risk

In accordance with its investment policy, the District manages its exposure to declines in fair values by limiting the maturity of its investment portfolio. The term of any collateralized mortgage obligation is limited to ten years, repurchase agreements may not exceed 90 days, banker's acceptances must have a stated maturity of 270 days or less, and no-load mutual funds must have a weighted average maturity of less than two years. Except for the repurchase agreement described above, the maximum allowable stated maturity of any other individual investment owned by the District cannot exceed one year.

Credit Risk

It is the District's policy to limit its investments in a manner that ensures the preservation of capital in the overall portfolio. Specifically, repurchase agreements must be secured by obligations of the United States or its agencies, commercial paper must be rated not less than A-1 or P-1, no-load mutual funds must be rated not less than AAA or its equivalent, and public funds investment pools must be continuously rated no lower than AAA or AAAm or at an equivalent rating. At August 31, 2025, Texas CLASS is rated AAAm by Standard & Poor's. At August 31, 2025, Texas Range is rated AAAmmf by Fitch's.

Custodial Credit Risk - Deposits

In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has a depository contract with a financial institution and monitors its deposits to ensure its bank deposits are insured or fully collateralized with securities held by the pledging financial institution's agent in the District's name.

(4) Deposits and Investments (continued)

In addition, the following is disclosed regarding coverage of combined balances on the date of the highest combined deposit during:

(a) Depository: American Bank

(b) The market value of securities pledged as of the date of the highest combined balance on deposit was $8,239,002.

(c) The highest combined balance of cash, savings, and time deposit accounts amounted to $6,927,686 and occurred during the month of February, 2025.

(d) Total amount of FDIC coverage at the time of largest combined balance was $250,000.

(5) Property Taxes

Property taxes are levied by October 1 on the assessed value as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code.

The assessed value at January 1, 2024, on which the 2024 levy was based, was $1,525,751,593. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

The District’s maximum legal maintenance and operations tax rate is $0.757500 per $100 valuation; the current maintenance and operations tax rate is $0.757500 per $100 valuation.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the general and debt service funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written-off, but the District is prohibited from writing-off real property taxes without specific statutory authority from the Texas Legislature. The allowance for uncollectible amounts was $338,573 at August 31, 2025.

(6) Due from Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State of Texas through the school foundation and per capita programs. Amounts due from federal and state governments as of August 31, 2025 are summarized below:

	General	Other Governmental	Total
State aid	$ 4,084,663	-	4,084,663
Federal and state grants	-	1,783,272	1,783,272
Other	68,164	-	68,164
Totals	$ 4,152,827	1,783,272	5,936,099

(7) Interfund Balances and Transfers

Interfund receivable and payable balances at August 31, 2025 are as follows:

Fund	Receivable	Payable
General	$ 1,417,441	-
Other governmental funds	-	1,417,441
	$ 1,417,441	1,417,441

Interfund balances resulted from the time lag between the dates that payments between funds are made.

In the year ended August 31, 2025, the capital projects fund made an operating transfer of $891,170 to the general fund to cover prior year capital outlay costs in the capital projects fund that were funded with current year bond proceeds.

(8) Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned. Unearned revenue at August 31, 2025 consisted of $187,204 for grant drawdowns prior to meeting all eligibility requirements.

(9) Capital Assets

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

	Balance September 1, 2024	Increases	Decreases	Balance August 31, 2025
Capital assets not being depreciated:				
Land	$ 431,650	-	-	431,650
Construction in progress	2,544,774	11,657,157	(1,815,096)	12,386,835
Total capital assets not being depreciated	2,976,424	11,657,157	(1,815,096)	12,818,485
Capital assets being depreciated:				
Buildings and improvements	65,112,749	2,168,831	-	67,281,580
Furniture and equipment	4,823,773	1,454,401	-	6,278,174
Right-of use lease assets - equipment	446,041	-	(116,160)	329,881
Total capital assets being depreciated	70,382,563	3,623,232	(116,160)	73,889,635
Less accumulated depreciation for:				
Buildings and improvements	$ (32,321,149)	(1,532,740)	-	(33,853,889)
Furniture and equipment	(3,072,365)	(349,961)	-	(3,422,326)
Right-of use lease assets - equipment	(321,587)	(89,195)	116,160	(294,622)
Total accumulated depreciation	(35,715,101)	(1,971,896)	116,160	(37,570,837)
Total capital assets being depreciated, net	34,667,462	1,651,336	-	36,318,798
	$ 37,643,886	13,308,493	(1,815,096)	49,137,283

(9) Capital Assets (continued)

Depreciation expense was charged to functions of the District as follows:

Governmental activities:	
Instruction	$ 1,009,877
Instructional resources and media services	14,762
Curriculum and staff development	36,684
Instructional leadership	30,884
School leadership	131,380
Guidance, counseling, and evaluation	57,305
Social work services	11,111
Health services	17,357
Student transportation	79,201
Food services	129,257
Extracurricular activities	131,767
General administration	69,430
Plant maintenance and operations	159,235
Security and monitoring services	32,934
Data processing services	60,712
Total depreciation expense	$ 1,971,896

Construction commitments at August 31, 2025 consisted of the following:

Project	Spent to Date	Remaining Commitments
Athletic Field House	$ 4,889,570	500,116
High School - additions and renovations	609,206	2,230,053
High School Multi-Purpose Pavillion	1,508,842	5,991,158
High School Stadium improvements	160,929	8,233,313
Junior High School - additions and renovations	1,509,917	1,523,100
Intermediate School - new gymnasium	320,404	5,289,970
Elementary School - additions and renovations	341,286	4,187,415
Primary School - additions and renovations	349,036	4,448,145
Parking lot improvements	414,408	257,188
Early College High School	2,283,237	36,011,558
	$ 12,386,835	68,672,016

(9) Capital Assets (continued)

The construction commitments will be financed with existing bond proceeds from the current year issuance of construction bonds in the amount $91.3 million.

(10) Long-Term Debt

Long-term debt consists of bonded indebtedness, loan payable, lease liabilities, compensated absences, a net pension liability, and a total OPEB liability. The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and enters into loans payable and leases to provide funds for the acquisition of various types of equipment.

The following is a summary of changes in long-term debt for the year ended August 31, 2025:

	Balance September 1, 2024	Additions	Deletions	Balance August 31, 2025	Due Within One Year
General obligation and refunding bonds	$ 30,219,999	91,365,000	2,770,000	118,814,999	2,444,789
Premiums	2,552,915	2,371,773	293,619	4,631,069	-
Total bonds payable	32,772,914	93,736,773	3,063,619	123,446,068	2,444,789
Accumulated accretion on bonds	385,119	27,789	-	412,908	-
Loan payable	528,000	-	132,000	396,000	66,000
Lease liabilities	143,582	-	95,856	47,726	39,417
Compensated absences	827,056	48,381	-	875,437	-
Net pension liability	12,496,865	-	1,348,361	11,148,504	-
Total OPEB liability	6,066,787	2,211,164	-	8,277,951	-
	$ 53,220,323	96,024,107	4,639,836	144,604,594	2,550,206

(10) Long-Term Debt (continued)

General obligation and refunding bonds at August 31, 2025 consist of the following individual issues:

$5,190,000 Unlimited tax qualified school construction bonds, series 2010B with annual sinking fund payments of $234,789 through maturity in February 2027, at which time all principal and accrued interest at 5.39% are due in full	$ 5,190,000
$5,705,000 Unlimited tax refunding bonds, series 2015 due in annual installments of $330,000 to $485,000 through February 2031, interest at 3% to 4%	2,615,000
$8,500,000 Unlimited tax refunding bonds, series 2017 due in annual installments of $35,000 to $1,610,000 through February 2039, interest at 2% to 4%	8,274,999
$7,380,000 Unlimited tax refunding bonds, series 2020 due in annual installments of $170,000 to $1,655,000 through February 2040, interest at 1% to 2.28%	6,250,000
$7,995,000 Unlimited tax refunding bonds, series 2021 due in annual installments of $160,000 to $990,000 through February 2034, interest at 2% to 3%	6,690,000
$91,365,000 Unlimited tax school building bonds, series 2024 due in annual installments of $450,000 to $6,625,000 through February 2054, interest at 4% to 5%	89,795,000
	$ 118,814,999

(10) Long-Term Debt (continued)

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

Year Ending August 31,	Principal	Interest	Total Requirements
2026	$ 2,444,789	4,759,938	7,204,727
2027	7,180,211	4,666,900	11,847,111
2028	2,075,000	4,579,700	6,654,700
2029	2,225,000	4,492,725	6,717,725
2030	2,385,000	4,398,350	6,783,350
2031 - 2035	13,289,999	20,556,050	33,846,049
2036 - 2040	17,380,000	17,351,775	34,731,775
2041 - 2045	20,930,000	12,883,475	33,813,475
2046 - 2050	25,965,000	7,855,388	33,820,388
2051 - 2054	24,940,000	2,110,555	27,050,555
	$ 118,814,999	83,654,856	202,469,855

The bond indentures contain certain restrictions for the maintenance of and flow of monies through various restricted accounts. The District is in compliance with all such significant financial limitations and restrictions.

Loan Payable

Loan payable at August 31, 2025 consists of the following individual issue:

$990,000 Time warrant note, series 2018, interest at a variable rate (4.5025% at August 31, 2024) is due semi-annually; annual principal payments of $66,000 are due through maturity in March 2033	$ 396,000

(10) Long-Term Debt (continued)

Annual debt service payment requirements to maturity for loan payable are as follows:

Year Ending August 31,	Principal	Interest	Total Requirements
2026	$ 66,000	17,830	83,830
2027	66,000	14,858	80,858
2028	66,000	11,887	77,887
2029	66,000	8,915	74,915
2030	66,000	5,943	71,943
2031	66,000	2,972	68,972
	$ 396,000	62,405	458,405

Leases

The District leases copiers and other equipment used in operations. These leases have terms between two and five years requiring monthly payments. As of August 31, 2025, the principal and interest requirements to maturity for the lease liabilities is as follows:

Year Ending August 31,	Principal	Interest	Total Requirements
2026	$ 39,417	760	40,177
2027	8,309	81	8,390
	$ 47,726	841	48,567

(11) Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the District carries commercial insurance. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

(12) Revenues from Local and Intermediate Sources

During the year ended August 31, 2025 revenues from local and intermediate sources reported in the governmental fund financial statements consisted of the following:

	General	Debt Service	Capital Projects	Other Govern- mental	Total
Property taxes	$ 11,395,064	7,511,492	-	-	18,906,556
Penalties, interest and other tax-related income	92,405	58,709	-	-	151,114
Tuition and fees	36,483	-	-	-	36,483
Investment income	780,124	374,826	3,751,727	2,215	4,908,892
Contributions and donations	-	-	-	182,358	182,358
Food sales	-	-	-	113,812	113,812
Extracurricular activities	91,398	-	-	136,687	228,085
Other	437,108	-	-	30	437,138
	$ 12,832,582	7,945,027	3,751,727	435,102	24,964,438

(13) Deferred Outflows and Inflows of Resources

The statement of financial position and the balance sheet include the following deferred outflows/inflows of resources at August 31, 2025:

	Statement of Net Position	Balance Sheet	
	Governmental Activities	General Fund	Debt Service Fund
Deferred outflows of resources:			
Deferred loss on refunding	$ 429,416	-	-
Pension / OPEB related:			
District contributions subsequent to the measurement date	1,341,251	-	-
Differences between expected and actual experience	2,201,095	-	-
Changes in assumptions	1,635,101	-	-
Net differences between projected and actual earnings	67,768	-	-
Changes in proportion	3,488,297	-	-
	$ 9,162,928	-	-
Deferred inflows of resources:			
Unavailable property taxes	$ -	305,927	201,932
Pension / OPEB related:			
Differences between expected and actual experience	4,218,189	-	-
Changes in assumptions	2,778,171	-	-
Net differences between projected and actual earnings	23,181	-	-
Changes in proportion	3,195,376	-	-
	$ 10,214,917	305,927	201,932

(14) Defined Benefit Pension Plan

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

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

Pension Plan Fiduciary Net Position: Detail information about TRS's fiduciary net position is available in a separately issued Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the internet at https://www.trs.texas.gov/learning-resources/publications; by writing to TRS at attention Finance Division, P.O. Box 149676, Austin, Texas, 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 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of credited service or earlier than 55 with 30 years of credited service. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad-hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

(14) Defined Benefit Pension Plan (continued)

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

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

- A one-time $7,000 stipend to eligible annuitants who are 75 years of age and older.
- A one-time $2,400 stipend to eligible annuitants who are age 70 to 74.

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

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

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

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

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

(14) Defined Benefit Pension Plan (continued)

	Contributions Rates Plan Fiscal Year 2025	2024
Member (employees)	8.25%	8.25%
Non-employer contributing entity (state of Texas)	8.25%	8.25%
Employer (the District)	8.25%	8.25%

	Contributions Required and Made
Member (Employees)	$ 2,221,926
Non-employer contributing entity (State)	1,594,826
District	1,095,664

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

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public 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 part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.

(14) Defined Benefit Pension Plan (continued)

- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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

- All public schools, charter schools, and regional educational 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.

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

Actuarial Assumptions: The total pension liability in the August 31, 2023 actuarial valuation rolled forward to August 31, 2024 was determined using the following actuarial assumptions:

Valuation date	August 31, 2023 rolled forward to August 31, 2024
Actuarial cost method	Individual entry age normal
Asset valuation method	Fair value
Single discount rate	7.00%
Long-term expected investment rate of return	7.00%
Municipal bond rate at August 31, 2024	3.87% *
Inflation	2.30%
Salary increases, including inflation	2.95% to 8.95% including inflation
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

* 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

The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2023. For a full description of these assumptions please see the actuarial valuation report dated November 21, 2023.

(14) Defined Benefit Pension Plan (continued)

Changes in Benefit Provisions Since Prior Measurement Date: The 2023 Texas Legislature passed Senate Bill 10 (SB10), which provides 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 (HJR2) 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.

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

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all 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.

(14) Defined Benefit Pension Plan (continued)

The long-term rate of return on pension plan investments is 7.00%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the TRS's target asset allocation as of August 31, 2024 are summarized below:

Asset Class	Target Allocation **	Long-Term Expected Arithmetic Real Rate of Return ***	Expected Contribution to Long-term Portfolic 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%	0.0%
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%	0.0%
Risk Parity	8.0%	4.0%	0.4%
Asset Allocation Leverage:			
Cash	2.0%	1.0%	0.0%
Asset Allocation Leverage	-6.0%	1.3%	-0.1%
Inflation Expectation			2.4%
Volatility Drag ****			-0.7%
Expected Return	100%		7.90%

* Absolute Return includes Credit Sensitive Investments

** Target allocations are based on the FY2024 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.

(14) Defined Benefit Pension Plan (continued)

Discount Rate Sensitivity Analysis: The following schedule shows the impact on the net pension liability if the discount rate used was 1% point lower and 1% point 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	$ 17,806,986	11,148,504	5,631,479

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

At August 31, 2025, the District reported a liability of $11,148,504 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for the State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	$ 11,148,504
State's proportionate share of the net pension liability associated with the District	15,510,156
Total	$ 26,658,660

The net pension liability was measured as of August 31, 2023 and rolled to August 31, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the 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 August 31, 2024, the District's proportion of the collective net pension liability was 0.000182511, which was an increase of 0.000000581 from its proportion measured as of August 31, 2023.

(14) Defined Benefit Pension Plan (continued)

Changes Since the Prior Actuarial Valuation: The actuarial assumptions and methods are the same as used in the determination of the prior year's net pension liability.

For the year ended August 31, 2025, the District recognized total pension expense of $3,441,530. Of the total pension expense, for the measurement period ended August 31, 2024, the District recognized pension expense of $1,853,723 and revenue of $1,430,898 for support provided by the State.

At August 31, 2025, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
District contributions subsequent to the measurement date	$ 1,095,664	-
Differences between expected and actual experience	614,490	87,042
Changes in assumptions	575,621	77,171
Net difference between projected and actual earnings on pension plan investments	67,768	-
Changes in proportion	1,216,194	1,275,491
Total	$ 3,569,737	1,439,704

(14) Defined Benefit Pension Plan (continued)

The $1,095,664 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in year ended August 31, 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:

Measurement Year Ended August 31,		
2025	$	57,982
2026		1,279,300
2027		132,485
2028		(476,408)
2029		41,010

(15) Defined Other Post-Employment Benefit Plans

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

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

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

(15) Defined Other Post-Employment Benefit Plans (continued)

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

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

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

TRS-Care Monthly Premium Rates

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

Contributions. Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and these 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 salary. Section 1575.204 establishes a public school contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the District. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act, which is 0.75% of each active employee's pay for fiscal year 2024.

(15) Defined Other Post-Employment Benefit Plans (continued)

The following table shows contributions to the TRS-Care plan by type of contributor.

	Contributions Rates Plan Fiscal Year 2025	2024
Active Employee (Members)	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers (District)	0.75%	0.75%
Federal/Private Funding Remitted by Employers	1.25%	1.25%

		Contributions Required and Made
Member (Employees)	$	175,061
Non-Employer Contributiong Agency (State)		311,252
District		245,587

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

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

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The demographic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2021. The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2023 TRS pension actuarial valuation that was rolled forward to August 31, 2024: rates of mortality, retirement, termination and disability; general inflation, and wage inflation.

(15) Defined Other Post-Employment Benefit Plans (continued)

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.

***Additional Actuarial Methods and Assumptions*:**

Valuation date	August 31, 2023 rolled forward to August 31, 2024
Actuarial cost method	Individual entry age normal
Inflation	2.30%
Single discount rate	3.87% as of August 31, 2024
Aging Factors	Based on the Society of Actuaries' 2013 Study "Health Care Costs - From Birth to Death."
Expenses	Third party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claim costs.
Projected salary increases	2.95% to 8.95%, including inflation
Healthcare trend rates	4.25% to 7.25%
Election rates	Normal retirement: 62% participation prior to age 65 and 25% participation after age 65 30% of pre-65 retirees are assumed to discontinue coverage at age 65.
Ad hoc post-employment benefit changes	None

(15) Defined Other Post-Employment Benefit Plans (continued)

Discount Rate. A single discount rate of 3.87% was used to measure the total OPEB liability. There was a decrease of 0.26% in the discount rate since the previous year. Since the plan is a pay-as-you-go plan, the single discount rate is equal to the prevailing municipal bond rate.

The source of the municipal bond rate is the Bond Buyer' "20-Bon GO Index" as of August 31, 2024 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.

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

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
District's proportionate share of the total OPEB liability	$ 9,834,593	8,277,951	7,020,162

Healthcare Trend Rate Sensitivity: The following schedule shows the impact of the net OPEB liability if a healthcare trend rate that is 1% less than and 1% greater than the health trend rates assumed.

	1% Decrease	Current Single Healthcare Trend Rate	1% Increase
District's proportionate share of the total OPEB liability	$ 6,741,162	8,277,951	10,280,541

(15) Defined Other Post-Employment Benefit Plans (continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2025, the District reported a liability of $8,277,951 for its proportionate share of the TRS's total 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 total OPEB liability, the related State support, and the total portion of the total OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective total OPEB liability	$ 8,277,951
State's proportionate share of the total OPEB liablity that is associated with the District	10,372,161
Total	$ 18,650,112

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

At August 31, 2024, the employer's proportion of the collective total OPEB liability was 0.000272736, compared to 0.000274040 as of August 31, 2023.

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

- The single discount rate changed from 4.13% as of August 31, 2023, to 3.87% as of August 31, 2024.

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

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

(15) Defined Other Post-Employment Benefit Plans (continued)

For the year ended August 31, 2025, the District recognized an OPEB benefit of $2,196,073. Of the total OPEB benefit, for the measurement period ended August 31, 2024, the District recognized an OPEB benefit of $1,348,189 and revenue of $310,414 for support provided by the State.

At August 31, 2025, the District reported its proportionate share of the TRS-Care's deferred outflows of resources and deferred inflows or resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
District contributions subsequent to the measurement date	$ 245,587	-
Differences between expected and actual experience	1,586,605	4,131,147
Changes in assumptions	1,059,480	2,701,000
Net differences between projected and actual investment earnings	-	23,181
Changes in proportion	2,272,103	1,919,885
Total	$ 5,163,775	8,775,213

The $245,587 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in year ended August 31, 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:

Measurement Year Ended August 31,	
2025	$ (1,072,957)
2026	(698,039)
2027	(888,995)
2028	(680,899)
2029	(353,010)
Thereafter	(163,125)

(16) Retiree Medicare Part D Coverage

Federal legislation enacted in January 2006 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One provision of the law allows TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible participants. Federal contributions to TRS made on behalf of the employees for the years ended August 31, 2025, 2024 and 2023, were $189,515; $130,787; and $123,843; respectively.

(17) Contingencies

The District participates in a number of federal award programs. Although the programs have been audited in accordance with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* through August 31, 2025, these programs are still subject to financial and compliance audits by grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

The District is involved in various claims and legal actions in the ordinary course of business. In the opinion of management, the ultimate outcome of these claims will not have a material adverse effect on the District's financial position.

(18) Restatements

Effective September 1, 2024, the District eliminated the use of internal service funds. Additionally, effective September 1, 2024, the District adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 101, *Compensated Absences.* GASB 101 establishes recognition and disclosure requirements for leave for which employees may receive cash payments when the leave is used for time off or upon termination, or that may be settled through non-cash payments. The implementation of this standard resulted in additional recognition of a liability for compensated absences attributable to services already rendered by employees. Accordingly, the District recognized a decrease of $827,056 to net position of governmental activities as of September 1, 2024.

(18) Restatements (continued)

Restatements of beginning fund balances and net position are as follows:

	Reporting Units Affected by Restatements of Beginning Balances		
	Funds		Government-Wide
	General	Internal Service	Governmental Activities
Beginning of year, as previously reported	$ 16,081,870	137,521	8,558,017
Restatement - eliminate internal service fund	137,521	(137,521)	-
Restatement - adoption of new accounting pronouncement	-	-	(827,056)
Beginning of year, as restated	$ 16,219,391	-	7,730,961

(19) Authoritative Pronouncements Not Yet Effective

A summary of pronouncements issued by the Government Accounting Standards Board ("GASB") which may impact the District but are not yet effective follows. The District has not yet determined the effects of the adoption of these pronouncements on the financial statements.

GASB Statement No. 103, *Financial Reporting Model Improvements* (issued April 2024) – the objective of this statement is to improve 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 financial statements for fiscal year beginning on September 1, 2025.

GASB Statement No. 104, *Disclosure of Certain Capital Assets* (issued September 2024) – the objective of this statement is to provide users of government financial statements with essential information about certain types of capital assets. This statement requires certain types of capital assets be disclosed separately in the capital assets note disclosures required by GASB Statement No. 34, *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments*. The requirements of this statement are effective for financial statements for the fiscal year beginning on September 1, 2025.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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[CLOSING DATE]

IN REGARD to the authorization and issuance of the "La Vega Independent School District Unlimited Tax Refunding Bonds, Series 2026," dated August 15, 2026, in the aggregate principal amount of $[__________] (the "Bonds"), we have examined into their issuance by the La Vega Independent School District (the "District") solely to express legal opinions as to the validity of the Bonds, the defeasance and discharge of the District's outstanding obligations being refunded by the Bonds and the exclusion of the interest on the Bonds from gross income for federal income tax purposes, and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the District, the disclosure of any financial or statistical information or data pertaining to the District and used in the sale of the Bonds, or the sufficiency of the security for or the value or marketability of the Bonds.

THE BONDS are issued in fully registered form only, in denominations of $5,000 or any integral multiple thereof (within a Stated Maturity), and in part as "Current Interest Bonds" (totaling in original principal amount $[________]) and in part as "Capital Appreciation Bonds" (totaling in original principal amount $[________]). The Current Interest Bonds mature on February 15 in each of the years specified in the pricing certificate (the "Pricing Certificate") executed pursuant to an order adopted by the Board of Trustees of the District authorizing the issuance of the Bonds (the "Order" and, jointly with the Pricing Certificate, the "Bond Order"), without right of prior redemption, in accordance with the terms stated on the Bonds. The Capital Appreciation Bonds mature on August 28, 2026, without right of prior redemption, in accordance with the terms stated on the Bonds. The Bonds accrue interest or accrete in value from the dates, at the rates, and in the manner and interest is payable on the dates, all as provided in the Bond Order.

IN RENDERING THE OPINIONS herein we have examined and rely upon (i) original or certified copies of the proceedings relating to the issuance of the Bonds, including the Bond Order, an Escrow Agreement (the "Escrow Agreement") between the District and Regions Bank (the "Escrow Agent"), a special report of Frost CPA LLC, in conjunction with Public Finance Partners LLC (together, the "Verification Agent"), and an examination of the initial Bonds executed and delivered by the District (which we found to be in due form and properly executed); (ii) certifications of officers of the District relating to the expected use and investment of proceeds of the sale of the Bonds and certain other funds of the District; and (iii) other documentation and such matters of law as we deem relevant. In the examination of the proceedings relating to the issuance of the Bonds, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such documents and certifications.

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

1. The Bonds have been duly authorized by the District and, when issued in compliance with the provisions of the Bond Order, are valid, legally binding, and enforceable obligations of the District, payable from the proceeds of an ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property within the District, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity.

2. The Escrow Agreement has been duly authorized, executed and delivered and, assuming the due authorization, execution or acceptance, and delivery thereof by the Escrow Agent, is a binding and enforceable agreement in accordance with its terms, and the outstanding obligations being refunded, discharged, paid and retired with the proceeds of the Bonds have been defeased and are regarded as being outstanding only for the purpose of receiving payment from the funds held in a trust fund with the Escrow Agent, pursuant to the Escrow Agreement and in accordance with the provisions of Texas Government Code, Chapter 1207, as amended. In rendering this opinion, we have relied upon the special report of the Verification Agent as to the sufficiency of cash and investments deposited with the Escrow Agent pursuant to the Escrow Agreement for the purposes of paying the outstanding obligations refunded and to be retired with the proceeds of the Bonds and the interest thereon.

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

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

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

Municipal Advisory Services
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