



PRELIMINARY OFFICIAL STATEMENT

Dated July 14, 2026

(See "Continuing Disclosure Information" herein)

NEW ISSUE - Book-Entry-Only

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."



\$156,690,000*
MESQUITE INDEPENDENT SCHOOL DISTRICT
(Dallas County, Texas)
UNLIMITED TAX REFUNDING BONDS, SERIES 2026

Dated Date: August 1, 2026

Due: August 15, as shown on Page 2

Interest to accrue from Date of Delivery (defined below)

PAYMENT TERMS . . . The \$156,690,000* Mesquite Independent School District (the "District") Unlimited Tax Refunding Bonds, Series 2026 (the "Bonds") will be issued as shown on Page 2 hereof. Interest on the Bonds will accrue from August 20, 2026* (the "Date of Delivery"), will be payable February 15 and August 15 of each year commencing February 15, 2027 until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The sum of the principal of and premium, if any, is payable at maturity or prior redemption. The 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 interest on the Bonds will be payable by the Paying Agent/Registrar (identified below) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is U.S. Bank Trust Company, National Association, Irving, 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 adopted by the Board of Trustees (the "Board") of the District on March 9, 2026 (the "Bond Order"), in which the Board delegated pricing of the Bonds and certain other matters to a "Pricing Officer" who will approve a "Pricing Certificate" which will contain the final terms of sale and will complete the sale of the Bonds (the Bond Order and the Pricing Certificate are jointly referred to as the "Order"). The Bonds are direct obligations of the District, payable from an annual ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property located within the District, as provided in the Order (see "THE BONDS - Authority for Issuance"). **An application was filed and the District has received conditional approval for the payment of the Bonds to be guaranteed by the corpus of the Permanent School Fund of Texas (see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").**

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

CUSIP PREFIX: 590760
MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 2

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the underwriters identified below (the "Underwriters") 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 Underwriters by their Counsel, Winstead PC and Cantu Harden Montoya LLP, both of Dallas, Texas.

DELIVERY . . . It is expected that the Bonds will be available for delivery through DTC on or about August 20, 2026*.

CABRERA CAPITAL MARKETS LLC

STIFEL
RAYMOND JAMES

PIPER SANDLER & Co.

* Preliminary, subject to change.

MATURITY SCHEDULE*

Maturity	Principal	Interest	Initial	CUSIP
15-Aug	Amount	Rate	Yield	Suffix ⁽¹⁾
2027	\$ 5,365,000			
2028	6,850,000			
2029	7,180,000			
2030	5,830,000			
2031	10,375,000			
2032	10,270,000			
2033	11,555,000			
2034	10,710,000			
2035	11,240,000			
2036	9,495,000			
2037	9,970,000			
2038	10,470,000			
2039	10,990,000			
2040	11,550,000			
2041	12,120,000			
2042	12,720,000			

(Interest to accrue from the Date of Delivery)

- (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 provided is provided by CGS. 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 Underwriters, or their agents or counsel assume responsibility for the accuracy of such numbers.

REDEMPTION . . . The District reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 20__, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 20__, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS –Redemption"). If two or more serial bonds of consecutive maturities are combined into one or more "term" Bonds (the "Term Bonds") by the Underwriters, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with provisions of the Order and will be described in the final Official Statement (see "THE BONDS –Redemption").

* Preliminary, subject to change.

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

No dealer, broker, salesman or other person has been authorized by the District or the Underwriters 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 Underwriters. 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 Underwriters. 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 "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM - PSF Continuing Disclosure Undertaking" and "CONTINUING DISCLOSURE INFORMATION" for a description of the undertakings of the Texas Education Agency (the "TEA") and the District, respectively, to provide certain information on a continuing basis.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement pursuant to their responsibilities to investors under the federal securities laws, but the Underwriters do 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 Schedule I and the appendices attached hereto, to obtain information essential to making an informed investment decision.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS 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.

NEITHER THE DISTRICT, ITS MUNICIPAL ADVISOR, NOR THE UNDERWRITERS 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 OR THE AFFAIRS OF THE TEA DESCRIBED IN "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" OR UNDER "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM," AS SUCH INFORMATION HAS BEEN PROVIDED BY THE DEPOSITORY TRUST COMPANY AND THE TEA, RESPECTIVELY.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE 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.

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

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

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

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The cover page hereof, maturity schedule, this page, the schedule 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 (as defined herein) 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 Mesquite Independent School District (the “District”) is a political subdivision of the State of Texas (the “State”) located in Dallas County. The District is approximately 59.41 square miles in area encompassing the City of Mesquite and approximately half of the City of Balch Springs (see “INTRODUCTION – The District”).
THE BONDS	The \$156,690,000* Unlimited Tax Refunding Bonds, Series 2026 (the “Bonds”) are expected to be issued as serial Bonds maturing on August 15 in the years 2027 through 2042 (see “THE BONDS – Description of the Bonds”).
PAYMENT OF INTEREST	Interest on the Bonds accrues from the date of their delivery to the Underwriters and is payable on February 15, 2027 and each August 15 and February 15 thereafter until maturity or prior redemption.
AUTHORITY FOR ISSUANCE	The Bonds are being authorized and issued pursuant to the Constitution and general laws of the State, including Chapters 1207 and 1371 of the Texas Government Code, as amended, and an order adopted by the Board of Trustees of the District (the “Board”) on March 9, 2026 (the “Bond Order”), in which the Board delegated pricing of the Bonds and certain other matters to a “Pricing Officer” who will approve a “Pricing Certificate” which will contain the final terms of sale and will complete the sale of the Bonds (the Bond Order and the Pricing Certificate are jointly referred to 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”). Additionally, an application has been filed and the District has received conditional approval for the payment of the Bonds to be guaranteed by the corpus of the Permanent School Fund of Texas (see “APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM”).
PERMANENT SCHOOL FUND GUARANTEE	The District has received conditional approval from the Texas Education Agency for the payment of the Bonds to be guaranteed by the corpus of the Permanent School Fund of the State (see “APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM”).
REDEMPTION	The District reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 20__, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 20__, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. In the event any of the Bonds are structured as “term” bonds (the “Term Bonds”), such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Order and will be described in the final Official Statement (see “THE BONDS – Redemption”).
TAX EXEMPTION	In the opinion of Bond Counsel, the 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 as identified in Schedule I hereto (the “Refunded Bonds”) for debt service savings, and (ii) to pay costs associated with the issuance of the Bonds.
RATINGS	The Bonds are rated “AAA” by S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC (“S&P”) and “AAA” by Fitch Ratings Inc. (“Fitch”) by virtue of the guarantee of the Permanent School Fund of the State of Texas. Additionally, the Bonds and presently outstanding tax supported debt of the District are rated “AA” by S&P and “AA+” by Fitch, without regard to credit enhancement. The District also has issues outstanding which are rated “AAA” by S&P and “AAA” by Fitch by virtue of the guarantee by the Permanent School Fund of the State (see “OTHER INFORMATION – Ratings” and “APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM”).

* 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 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see “THE BONDS – Book-Entry-Only System”).

PAYMENT RECORD The District has never defaulted in payment of its tax supported debt.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended	Estimated District Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Per Capita Taxable Assessed Valuation	Funded Tax Debt at end of Fiscal Year	Per Capita Funded Tax Debt	Ratio Tax Debt to Taxable Assessed Valuation	% of Total Tax Collections
2022	184,672	\$ 10,204,913,609	\$ 55,260	\$ 724,608,276	\$ 3,924	7.10%	98.71%
2023	180,870	12,530,882,843	69,281	704,827,801	3,897	5.62%	98.49%
2024	181,037	12,385,692,049	68,415	680,866,337	3,761	5.50%	98.48%
2025	189,687	14,118,243,424	74,429	1,063,220,402	5,605	7.53%	98.25%
2026	185,999	15,424,641,394 ⁽³⁾	82,929	1,031,285,402 ⁽⁴⁾	5,545 ⁽⁴⁾	6.69% ⁽⁴⁾	102.41% ⁽⁵⁾

(1) Source: The District.

(2) As reported by the Appraisal District (defined herein) on the District’s annual State Property Tax Reports and such values are subject to change during the ensuing year.

(3) Valuation includes the increase to the general State mandated homestead exemption from \$100,000 to \$140,000 and the increase in the State mandated homestead exemption of persons sixty-five (65) years of age or older and the disabled from \$10,000 to \$60,000. See “CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 Legislative Session.” The estimated Taxable Assessed Valuation for 2026-2027 is \$16,055,122,124.

(4) Projected, includes the Bonds. Excludes the Refunded Bonds. Preliminary, subject to change.

(5) Collections as of June 30, 2026.

For additional information regarding the District, please contact:

Dr. Angel Rivera, Superintendent
Mesquite Independent School District
3819 Towne Crossing
Mesquite, Texas 75150
(972) 288-6411

or

Mr. Jason L. Hughes, Senior Managing Director
Hilltop Securities Inc.
717 N. Harwood St., Suite 3400
Dallas, Texas 75201
(214) 953-4000

DISTRICT OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

Board of Trustees	Length of Service	Term Expires	Occupation
Robert Seward President	32 Years	2026	Retired
Greg Everett Vice President	29 Years	2026	Project Manager at Public Service Plumbers
Kevin Carbó Secretary	28 Years	2027	Assistant Manager of Purchasing, City of Mesquite
Teia Collier Member	5 Years	2028	CEO/Publisher at Teia Collier Brands
Suzanne Hawk Member	Newly Elected	2029	Program Coordinator - Region 10
Cassandra Morris Member	Newly Elected	2029	Medical Coder
Dr. Susan Williams Member	Newly Elected	2029	Retired

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service with District
Dr. Angel Rivera	Superintendent	8 Years
Dr. Janine Fields	Deputy Superintendent	4 Years
Gilberto Prado	Assistant Superintendent for Finance & Operations	4 Years
Taylor Morris	Assistant Superintendent for Administrative Services	22 Years
Dr. Andrea Hensley	Assistant Superintendent for Personnel Services	3 Years
Dr. Karen Morris	Assistant Superintendent for Teaching & Learning	26 Years
Dr. Leslie Feinglas	Assistant Superintendent for Partnerships and Strategic Initiatives	24 Years

CONSULTANTS AND ADVISORS

Auditors	Whitley Penn, LLP Dallas, Texas
Bond Counsel	Norton Rose Fulbright US LLP Dallas, Texas
Municipal Advisor	Hilltop Securities Inc. Dallas, Texas

PRELIMINARY OFFICIAL STATEMENT
RELATING TO
\$156,690,000*
MESQUITE INDEPENDENT SCHOOL DISTRICT
UNLIMITED TAX REFUNDING BONDS, SERIES 2026

INTRODUCTION

This Official Statement, which includes the Schedule and Appendices hereto, provides certain information regarding the issuance of \$156,690,000* 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 (defined below), except as otherwise indicated herein.

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

THE DISTRICT . . . The District is a political subdivision located entirely in Dallas County, Texas. The District is governed by a seven-member Board of Trustees (the “Board”) who serve staggered three-year terms with elections being held in May of each year. Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools who is the chief administrative officer of the District. Support services are supplied by consultants and advisors. The District covers approximately 59.41 square miles encompassing the City of Mesquite and approximately half of the City of Balch Springs. The City of Mesquite is responsible for collecting taxes in the District. See “AD VALOREM PROPERTY TAXATION – District Application of Tax Code” and “APPENDIX A – GENERAL INFORMATION REGARDING THE DISTRICT” for more information regarding 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 as identified in Schedule I hereto (the “Refunded Bonds”) for debt service savings, and (ii) to pay 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 as set forth in Schedule I, from funds to be deposited pursuant to a certain Deposit Agreement (the “Deposit Agreement”) between the District and The Bank of New York Mellon Trust Company, N.A., the paying agent/registrar for the Refunded Bonds (the “Prior Paying Agent”). The Order provides that from the proceeds of the sale of the Bonds received from the underwriters identified on the cover page hereof (the “Underwriters”), the District will deposit with the Prior Paying Agent the amount necessary to accomplish the discharge and final payment of the Refunded Bonds on their redemption date. Such funds will be held by the Prior Paying Agent in a special account used to defease and redeem the Refunded Bonds on their redemption date.

The Municipal Advisor or the Prior Paying Agent will execute a certificate (the “Sufficiency Certificate”) verifying that the funds on deposit pursuant to the Deposit Agreement will be sufficient to pay, when due, the amount necessary to accomplish the discharge and final payment of the Refunded Bonds on their redemption date.

By the deposit of cash with the Prior Paying Agent pursuant to the Deposit Agreement, the District will have effected the defeasance of all of the Refunded Bonds in accordance with the law. It is the opinion of Bond Counsel that as a result of such defeasance and in reliance upon the Sufficiency Certificate, the Refunded Bonds will be outstanding only for the purpose of receiving payments from the cash held for such purpose by the Prior Paying Agent 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.

* Preliminary, subject to change.

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

<u>Sources of Funds:</u>	<u>The Bonds</u>
Par Amount of Bonds	
[Net] Reoffering Premium	
Transfer from Prior Issue Debt Service Fund	
Total Sources of Funds	<u>\$ -</u>
<u>Uses of Funds:</u>	
Deposit with Prior Paying Agent	
Underwriters' Discount	
Cost of Issuance	
Total Uses of Funds	<u>\$ -</u>

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds will be dated August 1, 2026 (the “Dated Date”) and will mature on the dates and in the amounts shown on page 2 of this Official Statement. Interest on the Bonds will accrue from the Date of Delivery, will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15, 2027 and on each August 15 and February 15 thereafter until maturity or prior redemption. The sum of the principal of and premium, if any, is payable at maturity or prior redemption, as applicable.

Interest on the Bonds is payable to the registered owner appearing on the bond registration books of the Paying Agent/Registrar (defined herein) at the close of business on the Record Date (defined herein) and such interest shall be paid by the Paying Agent/Registrar (i) by check sent by United States Mail, first class postage prepaid, to the address of the registered owner recorded in the bond register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. The principal of the Bonds is payable at maturity or upon prior redemption, upon their 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 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 is 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.

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 Bonds will be issued in denominations of \$5,000 of principal amount or any integral thereof within a maturity. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** The principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “THE BONDS – Book-Entry-Only System” herein.

AUTHORITY FOR ISSUANCE . . . The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas (the “State”), including Chapters 1207 and 1371, Texas Government Code, as amended, and an order adopted by the Board on March 9, 2026 (the “Bond Order”), in which the Board delegated pricing of the Bonds and certain other matters to a “Pricing Officer” who will approve a “Pricing Certificate” which will contain the final terms of sale and will complete the sale of the Bonds (the Bond Order and the Pricing Certificate are jointly referred to 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 of and interest on the Bonds. Additionally, the District has received conditional approval for the payment of the Bonds to be guaranteed by the corpus of the Permanent School Fund of Texas.

PERMANENT SCHOOL FUND GUARANTEE . . . In connection with the sale of the Bonds, the District has submitted an application to the Texas Education Agency and has received conditional approval from the Commissioner of Education for guarantee of the Bonds under the Permanent School Fund Guarantee Program (Chapter 45, Subchapter C of the Texas Education Code). Subject to satisfying certain conditions discussed in “APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” herein, the payment of the Bonds will be absolutely and unconditionally guaranteed by the corpus of the Permanent School Fund of the State. In the event of default, registered owners will receive all payments due on the Bonds from the corpus of the Permanent School Fund.

REDEMPTION . . . The District reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 20__, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 20__, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the District may select the maturities of the Bonds to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed.

In the event any of the Bonds are structured as "term" bonds (the "Term Bonds"), such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Order and will be described in the final Official Statement.

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

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

The Paying Agent/Registrar and the District, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Order or other notices only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the District will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds from the beneficial owners. Any such selection of Bonds to be redeemed will not be governed by the Order and will not be conducted by the District or the Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Bonds for redemption (see "THE BONDS – Book-Entry-Only System").

DEFEASANCE . . . The Order provides for the defeasance of the Bonds when (1) money sufficient to pay in full such Bonds at maturity or to the redemption date therefor, together with all interest due thereon, shall have been irrevocably deposited with and held in trust by the Paying Agent/Registrar, or an authorized escrow agent, or (2) Government Securities shall have been irrevocably deposited in trust with the Paying Agent/Registrar, or an authorized escrow agent, which Government Securities shall mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money, together with any moneys deposited therewith, to pay when due the Bonds on the Stated Maturities thereof or (if notice of redemption has been duly given or waived or if irrevocable arrangements therefor acceptable to the Paying Agent/Registrar have been made) the redemption date thereof. 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. Authorized District officials are permitted to limit the eligible Government Securities described above in connection with the sale of the Bonds.

Under current Texas law, upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid and will no longer be guaranteed by the Texas Permanent School Fund. The District has reserved the option, however, to be exercised at the time of the defeasance of the Bonds, to call for redemption at an earlier date, those Bonds that have been defeased to their maturity date, if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Order does not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under Texas law.

After defeasance, the Permanent School Fund Guarantee will cease to apply to the Bonds.

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 interests of such registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the District may, with the consent of holders who own in the aggregate a majority of the principal amount of the Bonds then Outstanding, amend, add to, or rescind any of the provisions of the Order; provided that, without the consent of all holders of Outstanding Bonds, no such amendment, addition, or rescission shall (1) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof, the redemption price of the Bonds, or the rate of interest thereon, or in any other way modify the terms of payment of the principal or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds required to be held by Holders for consent to any such amendment, addition, or rescission.

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

The District and the Underwriters cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds or 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 maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the 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 redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 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).

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable 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 Underwriters believe to be reliable, but neither the District nor the Underwriters take any responsibility for the accuracy thereof.

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

Use of Certain Terms in Other Sections of this Official Statement . . . In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Direct or Indirect 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 U.S. Bank Trust Company, National Association, Irving, Texas. In the Bond 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 commercial bank, trust company, financial institution 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 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, and such interest will be paid (i) by check sent United States mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested

by, and at the risk and expense of, the registered owner. Principal of the Bonds will be paid to the registered owner at the stated maturity or upon prior redemption, 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, payments of principal and interest on the Bonds will be made as described in "THE BONDS – Book-Entry-Only System," above. 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.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, printed Bond certificates will be delivered to registered owners and thereafter the Bonds may be transferred and exchanged 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 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See "THE BONDS – Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. Neither the District nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond called for redemption in part.

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for determining the party to whom the interest on the Bonds is payable on any interest payment date means the close of business on the last business day of the preceding month.

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

BONDHOLDERS' REMEDIES . . . The Order does not specify events of default with respect to the Bonds. If the District defaults in the payment of principal or interest or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Order, or defaults in the observation or performance of any other covenants, conditions or obligations set forth in the Order, the registered owners may seek a writ of mandamus to compel District officials to carry out their legally imposed duties with respect to the Bonds, if there is no other available remedy at law to compel performance of the Bonds or the Order covenants and the District's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the 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 registered owners upon any failure of the District to perform in accordance with the terms of the Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Chapter 1371, Texas Government Code, as amended ("Chapter 1371"), which pertains to the issuance of public securities by issuers such as the District, permits the District to waive sovereign immunity in the proceedings authorizing its bonds. Notwithstanding its reliance upon the provisions of Chapter 1371 in connection with the issuance of the Bonds (as further described under the subcaption "THE BONDS – Authority for Issuance"), the District has not waived the defense of sovereign immunity with respect thereto. Because it is unclear whether the Texas legislature has effectively waived the District's sovereign immunity from a suit for money damages, 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. 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 another 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 Bonds are qualified with respect to the customary rights of debtors relative to their creditors and may be limited by general principles of equity which permit the exercise of judicial discretion.

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

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

On May 13, 2016, the Court issued its opinion in the most recent school finance litigation, *Morath v. The Texas Taxpayer & Student Fairness Coal.*, 490 S.W.3d 826 (Tex. 2016) ("Morath"). The plaintiffs and intervenors in the case had alleged that the Finance System, as modified by the State Legislature in part in response to prior decisions of the Court, violated article VII, section 1 and article VIII, section 1-e of the Texas Constitution. In its opinion, the Court held that "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.

POSSIBLE EFFECTS OF CHANGES IN LAW ON DISTRICT BONDS . . . The Court's decision in *Morath* upheld the constitutionality of the Finance System but noted that the Finance System was "undeniably imperfect." While not compelled by the *Morath* decision to reform the Finance System, the State Legislature could enact future changes to the Finance System. Any such changes could benefit or be a detriment to the District. If the State Legislature enacts future changes to, or fails adequately to fund the Finance System, or if changes in circumstances otherwise provide grounds for a challenge, the Finance System could be challenged again in the future. In its 1995 opinion in *Edgewood Independent School District v. Meno*, 917 S.W.2d 717 (Tex. 1995), the Court stated that any future determination of unconstitutionality "would not, however, affect the district's authority to levy the taxes necessary to retire previously issued bonds, but would instead require the State Legislature to cure the system's unconstitutionality in a way that is consistent with the Contract Clauses of the U.S. and Texas Constitutions" (collectively, the "Contract Clauses"), which prohibit the enactment of laws that impair prior obligations of contracts.

Although, as a matter of law, the Bonds, upon issuance and delivery, will be entitled to the protections afforded previously existing contractual obligations under the Contract Clauses, the District can make no representations or predictions concerning the effect of future legislation, or any litigation that may be associated with such legislation, on the District's financial condition, revenues or operations. While the enactment of future legislation to address school funding in Texas could adversely affect the financial condition, revenues or operations of the District, the District does not anticipate that the security for payment of the Bonds, specifically, the District's obligation to levy an unlimited debt service tax 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. For a more complete description of school finance and fiscal management in the State, reference is made to Chapters 43 through 49 of the Texas Education Code, as amended.

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

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 Texas Legislature (the "Legislature") meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor of Texas (the "Governor") may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda (any such special sessions, together with the 89th Regular Session, are collectively referred to herein as the "2025 Legislative Session").

During the 89th Regular Session, the Legislature considered a general appropriations act and legislation affecting the Finance System and ad valorem taxation procedures and exemptions, and investments, among other legislation affecting school districts and the administrative agencies that oversee school districts. Legislation was enacted during the 2025 Legislative Session and approved by voters at a Statewide election held on November 4, 2025, that 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 Legislature passed and the Governor signed legislation that authorizes roughly \$8.5 billion in funding for public schools and provides districts with a \$55 per-student increase to their base funding, beginning September 1, 2025, as well as provide districts with additional funding for teacher and staff salaries, educator preparation, special education, safety requirements and early childhood learning. Finally, legislation passed by the Legislature and signed into law by the Governor created an education savings account program (commonly referred to as vouchers) for students that attend private schools or home school. The legislation became effective September 1, 2025, when the state fiscal biennium began, though families will not receive education savings account program 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 Legislature to re-appropriate funds for the program for each subsequent State fiscal biennium. Such program could impact attendance in the District by incentivizing students to homeschool or attend private schools, which could negatively affect the District's attendance based funding. The District is still in the process of reviewing legislation passed during the 89th Regular Session and cannot make any representations as to the full impact of such legislation.

The Governor called for a special session on June 23, 2025, which began on July 21, 2025 and concluded on August 15, 2025 (the "First Special Session"). The Governor called a second special session, which began on August 15, 2025 and concluded on September 4, 2025 (the "Second Special Session"). Among the items considered during the First Special Session and Second Special Session included "legislation to eliminate the STAAR test and replace it with effective tools to assess student progress and ensure school district accountability" and "legislation reducing the property tax burden on Texans and legislation imposing spending limits on entities authorized to impose property taxes." Additional special sessions may be called by the Governor. During such time, the Legislature may enact laws that materially change current law as it relates to funding public school, including the District and its finances. The District can make no representations or predictions regarding the scope of legislation that may be considered in the 2025 Legislative Session or future sessions of the Legislature, or the potential impact of such legislation, but it intends to monitor applicable legislation related thereto.

LOCAL FUNDING FOR SCHOOL DISTRICTS

A school district's M&O tax rate is composed of two distinct parts: the "Tier One Tax Rate," which is the local M&O tax rate required for a school district to receive any part of the basic level of State funding (referred to herein as "Tier One") under the Foundation School Program, as further described below, and the "Enrichment Tax Rate," which is any local M&O tax effort in excess of its Tier One Tax Rate. The formulas for the State Compression Percentage and Maximum Compressed Tax Rate (each

as described below) are designed to compress M&O tax rates in response to year-over-year increases in property values across the State and within a school district, respectively. The discussion in this subcaption "Local Funding for School Districts" is generally intended to describe funding provisions applicable to all school districts; however, there are distinctions in the funding formulas for school districts that generate local M&O tax revenues in excess of the school districts' funding entitlements, as further discussed under the subcaption "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Revenue Level in Excess of Entitlement" herein.

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

Maximum Compressed Tax Rate. The Maximum Compressed Tax Rate (the "MCR") is the tax rate per \$100 of valuation of taxable property at which a school district must levy its Tier One Tax Rate to receive the full amount of the Tier One funding to which the school district is entitled. The MCR is equal to the lesser of two alternative calculations: (1) the school district's SCP multiplied by \$1.00; or (2) a percentage determined by formula if the school district experienced a year-over-year increase in property value of at least 2.5% (if the increase in property value is less than 2.5%, then the MCR is equal to the prior year'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 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.

In calculating and making available school district's 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 Regular Session took effect. Such calculation for the 2025-2026 school year expires September 1, 2026. Pursuant to voter approval at a Statewide election held on November 4, 2025, (1) the State mandated general homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, was increased from \$100,000 to \$140,000, and (2) the additional exemption on the residence homesteads of those at least sixty-five (65) years of age and the disabled under Section 1-b(c), Article VIII, Texas Constitution, was increased from \$10,000 to \$60,000. These changes 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.

STATE FUNDING FOR SCHOOL DISTRICTS

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

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

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

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

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

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

The fast growth allotment weights are currently 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 2026-27 State fiscal biennium.

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

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

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

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

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, 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.

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

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT

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

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

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

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AD VALOREM PROPERTY TAXATION

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

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

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property. 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 may only increase the appraised value of real property during the 2026 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5.32 million (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 (collectively, the "Appraisal Cap"). 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. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - 2025 Legislative Session" for a discussion of legislation passed during the 89th Regular Session that was approved by voters at a Statewide election held on November 4, 2025, that increased the (1) general homestead exemption for all homesteads from \$100,000 to \$140,000 and (2) additional homestead exemption for persons sixty-five (65) of age or older and the disabled from \$10,000 to \$60,000.

LOCAL OPTION HOMESTEAD EXEMPTIONS. . . The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than \$5,000) and (2) an additional exemption of at least \$3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit. Cities, counties, and school districts are prohibited from repealing or reducing an optional homestead exemption described in (1), above, that was granted in tax year 2022 through December 31, 2027.

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

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

Pursuant to legislation enacted during the 2025 Legislative Session and approved by voters at a Statewide election held on November 4, 2025, effective January 1, 2026, a person is entitled to an exemption from taxation by a taxing unit of \$125,000 of the appraised value of the tangible personal property the person owns that is held or used for the production of income and has taxable situs at the same location in the taxing unit. A person who leases tangible personal property is also entitled to a tax exemption of \$125,000, regardless of where the property is located in the taxing unit.

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

Certain goods, that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days (“Goods-in-Transit”), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer’s motor vehicle, boat, or heavy equipment inventory.

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

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

TEMPORARY EXEMPTION FOR QUALIFIED PROPERTY DAMAGED BY A DISASTER . . . The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the governor to be a disaster area following a disaster and is at least 15 percent physically damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. The governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the governor declares the area to be a disaster area. The State Legislature amended Section 11.35, Tax Code to clarify that “damage” for purposes of the statute is limited to “physical damage”. 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 may only levy and collect M&O taxes on the agreed-to limited appraised property value. For the purposes of calculating its Tier One and Tier Two entitlements, the portion of a school district's property that was not fully taxable was excluded from the school district's taxable property values. Therefore, a school district would not be subject to a reduction in Tier One or Tier Two State funds as a result of lost M&O tax revenues due to entering into a tax limitation agreement (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts"). The 87th Texas Legislature did not 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 service tax securing a series of bonds cannot be abated under Chapter 403. Eligible projects must involve manufacturing, dispatchable power generation facilities, technology research/development facilities, or critical infrastructure projects and projects must create and maintain jobs, as well as meet certain minimum investment requirements. The District is still in the process of reviewing Chapter 403 and cannot make any representations as to what impact, if any, Chapter 403 will have on its finances or operations.

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

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

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

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

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

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

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

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

DISTRICT APPLICATION OF TAX CODE . . . The District grants the state-mandated exemption to the market value of all residence homesteads of \$140,000 and grants the state-mandated exemption to the market value of the residence homestead of persons 65 years of age or older of \$60,000; the disabled are also granted an exemption of \$60,000. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 Legislative Session" for a discussion of the increase in the general State mandated homestead exemption from \$100,000 to \$140,000 and the increase in the State mandated homestead exemption of persons sixty-five (65) years of age or older and the disabled from \$10,000 to \$60,000.

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 Dallas County Tax Office collects taxes for the District.

The District does not permit split payments, and discounts are not allowed.

The District does not tax freeport property.

The District has not adopted a tax abatement policy and has not entered into any tax limitation agreements.

The District has not entered into any appraised value limitation agreements pursuant to the Texas Economic Development Act, Chapter 313, Texas Tax Code.

TAX INCREMENT REINVESTMENT ZONE . . . The District does not currently participate in any TIRZ.

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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 January 14, 1956 in accordance with the provisions of Article 2784e-1, Texas Revised Civil Statutes Annotated, as amended.

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

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

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

Section 45.0031 of the Texas Education Code, as amended, requires a school district to demonstrate to the Texas Attorney General that it has the prospective ability to pay its maximum annual debt service on a proposed issue of bonds and all previously issued bonds, other than bonds approved by voters of a school district at an election held on or before April 1, 1991 and issued before September 1, 1992 (or debt issued to refund such bonds, collectively, "exempt bonds"), from a tax levied at a rate of \$0.50 per \$100 of assessed valuation before bonds may be issued (the "50-cent Test"). In demonstrating the ability to pay debt service at a rate of \$0.50, a school district may take into account EDA and IFA allotments to the school district, which effectively reduces the school district's local share of debt service, and may also take into account Tier One funds allotted to the school district. If a school district exercises this option, it may not adopt an I&S tax until it has credited to the school district's I&S fund an amount equal to all State allotments provided solely for payment of debt service and any Tier One funds needed to demonstrate compliance with the 50-cent Test and which is received or to be received in that year. Additionally, a school district may demonstrate its ability to comply with the 50-cent Test by applying the \$0.50 tax rate to an amount equal to 90% of projected future taxable value of property in the school district, as certified by a registered professional appraiser, anticipated for the earlier of the tax year five (5) years after the current tax year or the tax year in which the final payment for the bonds is due. However, if a school district uses projected future taxable values to meet the 50-cent Test and subsequently imposes a tax at a rate greater than \$0.50 per \$100 of valuation to pay for bonds subject to the 50-cent Test, then for subsequent bond issues, the Texas Attorney General must find that the school district has the projected ability to pay principal and interest on the proposed bonds and all previously issued bonds subject to the 50-cent Test from a tax rate of \$0.45 per \$100 of valuation. Once the prospective ability to pay such tax has been shown and the bonds are issued, a school district may levy an unlimited tax to pay debt service. Refunding bonds issued pursuant to Chapter 1207, Texas Government Code ("Chapter 1207"), 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 being issued as refunding bonds and are 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 (60th) day after the date the certified appraisal roll is received by the taxing unit, except that a tax rate that exceeds the Voter-Approval Tax Rate must be adopted not later than the seventy-first (71st) day before the next occurring November uniform election date. A school district's failure to adopt a tax rate equal to or less than the Voter-Approval Tax Rate by September 30 or the sixtieth (60th) day after receipt of the certified appraisal roll, will result in the tax rate for such school district for the tax year to be the lower of the "no-new-revenue tax rate" calculated for that tax year or the tax rate adopted by the school district for the preceding tax year. A school district's failure to adopt a tax rate in excess of the Voter-Approval Tax Rate on or prior to the seventy-first (71st) day before the next occurring November uniform election date, will result in the school district adopting a tax rate equal to or less than its Voter-Approval Tax Rate by the later of September 30 or the sixtieth (60th) day after receipt of the certified appraisal roll. "No-new-revenue tax rate" means the rate that will produce the prior year's total tax levy from the current year's total taxable values, adjusted such that lost values are not included in the calculation of the prior year's taxable values and new values are not included in the current year's taxable values.

The Voter-Approval Tax Rate for a school district is the sum of (i) the school district's MCR; (ii) the greater of (a) the school district's Enrichment Tax Rate for the preceding year, 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 30 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

2025/26 Market Valuation Established by Dallas Central Appraisal District (excluding totally exempt property)		\$21,375,113,780
Less Exemptions/Reductions at 100% Market Value		
Homestead Exemption (State Mandated)	\$ 2,497,275,931	
Freeport	280,804,915	
Pollution Control	4,909,878	
Disabled Veterans	112,063,309	
Productivity Loss	51,288,694	
Homestead Exemption (Disabled)	7,869,557	
Homestead Exemption (Over 65)	221,170,112	
Under 2500	626,780	
Totally Exempt	1,967,769,807	
Prorated Exempt	304,896	
Capped Value Loss	806,388,507	<u>5,950,472,386</u>
2025/26 Net Taxable Assessed Valuation ⁽¹⁾		\$15,424,641,394
District Debt Payable From Ad Valorem Taxes (as of 6/30/2026):		
Outstanding Unlimited Tax Bonds ⁽²⁾	\$ 874,595,402	
The Bonds ⁽³⁾	<u>156,690,000</u>	
Total		<u>\$ 1,031,285,402</u>
Interest and Sinking Fund Balance (as of 6/30/2026)	\$	93,994,781
Ratio District Debt to 2025/26 Net Taxable Assessed Valuation		6.69%
2026 Estimated Population - 185,999		
Per Capita Taxable Assessed Valuation - \$82,929		
Per Capita Funded Debt - \$5,545		

- (1) Valuation includes the increase to the general State mandated homestead exemption from \$100,000 to \$140,000 and the increase in the State mandated homestead exemption of persons sixty-five (65) years of age or older and the disabled from \$10,000 to \$60,000. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 Legislative Session." The estimated Taxable Assessed Valuation for 2026-2027 is \$16,055,122,124.
- (2) Excludes the Refunded Bonds. Preliminary, subject to change.
- (3) Preliminary, subject to change.

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TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

Category	Taxable Appraised Value for Fiscal Year Ended					
	6/30/2026 ⁽¹⁾⁽²⁾		6/30/2025		6/30/2024	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 11,477,643,360	53.70%	\$ 12,002,480,180	56.80%	\$ 10,546,987,850	56.67%
Real, Residential, Multi-Family	1,627,230,370	7.61%	1,713,141,430	8.11%	1,583,253,940	8.51%
Real, Vacant Lots/Tracts	438,748,010	2.05%	344,875,330	1.63%	302,260,420	1.62%
Real, Acreage (Land Only)	51,974,220	0.24%	48,399,610	0.23%	36,873,410	0.20%
Real, Farm and Ranch Improvements	3,640,130	0.02%	3,673,170	0.02%	3,528,520	0.02%
Real, Commercial	5,695,749,130	26.65%	5,105,599,710	24.16%	4,305,684,410	23.13%
Real, Industrial	51,035,940	0.24%	46,351,930	0.22%	54,385,860	0.29%
Real and Intangible Personal, Utilities	233,294,690	1.09%	210,708,860	1.00%	185,892,830	1.00%
Tangible Personal, Commercial	1,138,641,620	5.33%	1,073,036,220	5.08%	1,048,177,720	5.63%
Tangible Personal, Industrial	541,528,630	2.53%	438,982,410	2.08%	429,424,090	2.31%
Tangible Personal, Mobile Homes	35,216,590	0.16%	37,135,280	0.18%	39,404,390	0.21%
Other Inventory	34,861,900	0.16%	61,284,750	0.29%	30,098,000	0.16%
Special Inventory	45,549,190	0.21%	45,834,810	0.22%	45,508,590	0.24%
Total Appraised Value Before Exemptions	\$ 21,375,113,780	100.00%	\$ 21,131,503,690	100.00%	\$ 18,611,480,030	100.00%
Less: Total Exemptions	(5,950,472,386)		(5,950,472,386)		(5,629,068,551)	
Adjustments	-		(1,062,787,880)		(596,719,430)	
Taxable Assessed Value	<u>\$ 15,424,641,394</u>		<u>\$ 14,118,243,424</u>		<u>\$ 12,385,692,049</u>	

Category	Taxable Appraised Value for Fiscal Year Ended,			
	6/30/2023		6/30/2022	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 9,358,250,370	56.84%	\$ 7,992,783,880	56.74%
Real, Residential, Multi-Family	1,391,561,310	8.45%	1,130,562,960	8.03%
Real, Vacant Lots/Tracts	286,867,910	1.74%	244,850,310	1.74%
Real, Acreage (Land Only)	42,742,280	0.26%	42,540,610	0.30%
Real, Farm and Ranch Improvements	3,599,500	0.02%	3,341,900	0.02%
Real, Commercial	3,771,583,740	22.91%	3,326,015,800	23.61%
Real, Industrial	39,731,150	0.24%	38,871,260	0.28%
Real and Intangible Personal, Utilities	175,027,970	1.06%	165,788,340	1.18%
Tangible Personal, Commercial	934,063,530	5.67%	787,935,560	5.59%
Tangible Personal, Industrial	374,383,450	2.27%	287,670,640	2.04%
Tangible Personal, Mobile Homes	33,117,550	0.20%	31,006,600	0.22%
Other Inventory	12,065,800	0.07%	-	0.00%
Special Inventory	41,190,640	0.25%	34,535,040	0.25%
Total Appraised Value Before Exemptions	\$ 16,464,185,200	100.00%	\$ 14,085,902,900	100.00%
Less: Total Exemptions/Adjustments	(3,933,314,176)		(2,913,509,708)	
Adjustments	11,819		(967,479,583)	
Taxable Assessed Value	<u>\$ 12,530,882,843</u>		<u>\$ 10,204,913,609</u>	

(1) Valuation includes the increase to the general State mandated homestead exemption from \$100,000 to \$140,000 and the increase in the State mandated homestead exemption of persons sixty-five (65) years of age or older and the disabled from \$10,000 to \$60,000. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 Legislative Session."

(2) The estimated Taxable Assessed Valuation for 2026-2027 is \$16,055,122,124.

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.

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TABLE 3 - VALUATION AND TAX SUPPORTED DEBT HISTORY

Fiscal Year Ended	Estimated District Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Per Capita Taxable Assessed Valuation	Tax Supported Debt Outstanding at End of Fiscal Year	Ratio Tax Debt to Taxable Assessed Valuation	Per Capita Tax Supported Debt
2022	184,672	\$ 10,204,913,609	\$ 55,260	\$ 724,608,276	7.10%	\$ 3,924
2023	180,870	12,530,882,843	69,281	704,827,801	5.62%	3,897
2024	181,037	12,385,692,049	68,415	680,866,337	5.50%	3,761
2025	189,687	14,118,243,424	74,429	1,063,220,402	7.53%	5,605
2026	185,999	15,424,641,394 ⁽³⁾	82,929	1,031,285,402 ⁽⁴⁾	6.69% ⁽⁴⁾	5,545 ⁽⁴⁾

(1) Source: District Officials.

(2) As reported by the Appraisal District on the District's annual State Property Tax Reports and is subject to change during the ensuing year.

(3) Valuation includes the increase to the general State mandated homestead exemption from \$100,000 to \$140,000 and the increase in the State mandated homestead exemption of persons sixty-five (65) years of age or older and the disabled from \$10,000 to \$60,000. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 Legislative Session." The estimated Taxable Assessed Valuation for 2026-2027 is \$16,055,122,124.

(4) Projected, includes the Bonds. Excludes the Refunded Bonds. Preliminary, subject to change.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended	Tax Rate	Local Maintenance	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2022	\$ 1.3120	\$ 0.8720	\$ 0.4400	\$ 143,393,803	98.01%	98.71%
2023	1.2846	0.8846	0.4000	160,971,721	97.12%	98.49%
2024	1.0992	0.6992	0.4000	136,309,898	97.69%	98.48%
2025	1.0969	0.6969	0.4000	154,863,012	98.06%	98.25%
2026	1.0969	0.6969	0.4000	152,044,500	102.66% ⁽¹⁾	102.41% ⁽¹⁾

(1) Collections as of June 30, 2026.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2025/26 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Town East Mall PS	Shopping Center/Mall	\$ 128,500,000	0.83%
Oncor Electric Delivery	Utilities	104,054,630	0.67%
Ashley Furniture Industries Inc.	Wholesale Supplier/Distribution Center	78,950,700	0.51%
SIF II CS Mesquite Venture LLC	Warehouse	77,685,970	0.50%
Canadian Solar US Module Manufacturing Corporation	Solar Panel Manufacturing	70,387,301	0.46%
Atmos Energy Mid Tex	Oil & Gas	60,788,080	0.39%
DG Mesquite III Property	Airport	58,445,820	0.38%
BDPF Alcott Logistics LP	Distribution Center	56,565,400	0.37%
905 Airport Blvd	Distribution Center	56,404,710	0.37%
Tripp Fee Owner LLC	Apartments	52,950,300	0.34%
		<u>\$ 744,732,911</u>	<u>4.83%</u>

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	2025/26 Taxable Assessed Valuation	2025/26 Tax Rate	Total Tax Supported Debt As Of 6/30/2026	Estimated % Applicable	District's Overlapping Tax Supported Debt As of 6/30/2026	Authorized But Unissued Debt As of 6/30/2026
Mesquite ISD	\$ 15,424,641,394	\$ 1.0969	\$ 1,031,285,402 ⁽¹⁾	100.00%	\$ 1,031,285,402 ⁽¹⁾	\$ 150,000,000
City of Balch Springs	2,201,817,406	0.7950	21,325,000	68.58%	14,624,685	-
City of Dallas	226,456,133,434	0.6990	2,544,258,469	0.15%	3,816,388	750,000,000
Dallas County	431,262,097,321	0.2160	502,665,000	3.72%	18,699,138	-
Dallas College	442,387,293,421	0.1070	177,300,000	3.72%	6,595,560	752,000,000
Dallas County Hosp. Dist.	414,014,886,764	0.2120	511,285,000	3.72%	19,019,802	-
City of Garland	27,055,676,556	0.6900	593,380,000	1.08%	6,408,504	582,371,730
City of Mesquite	15,906,548,502	0.7300	331,240,000	94.07%	311,597,468	-
City of Seagoville	1,634,052,944	0.7210	16,410,000	15.62%	<u>2,563,242</u>	-

Total Direct and Overlapping Debt..... \$ 1,414,610,188

Ratio of Direct and Overlapping Debt to Taxable Assessed Valuation..... 9.17%

Per Capita Overlapping Debt..... \$ 7,605.47

(1) Includes the Bonds. Excludes the Refunded Bonds. Preliminary, subject to change.

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DEBT INFORMATION

TABLE 7 - PRO-FORMA TAX SUPPORTED DEBT SERVICE REQUIREMENTS

Year Ended 12/31 ⁽¹⁾	Outstanding Debt Service ⁽²⁾			The Bonds ⁽³⁾			Total Debt Service Requirements	Principal Retired
	Principal	Interest	Total	Principal	Interest	Total		
2026	\$ 26,562,680	\$ 47,830,893	\$ 74,393,573	\$ -	\$ -	\$ -	\$ 74,393,573	
2027	19,060,494	39,973,161	59,033,655	5,365,000	7,725,688	13,090,688	72,124,342	
2028	19,586,450	39,219,415	58,805,865	6,850,000	7,566,250	14,416,250	73,222,115	
2029	19,433,811	37,861,442	57,295,253	7,180,000	7,223,750	14,403,750	71,699,003	
2030	22,637,864	38,721,482	61,359,346	5,830,000	6,864,750	12,694,750	74,054,096	12.85%
2031	18,429,014	38,660,737	57,089,751	10,375,000	6,573,250	16,948,250	74,038,001	
2032	22,690,000	34,272,941	56,962,941	10,270,000	6,054,500	16,324,500	73,287,441	
2033	18,165,089	37,840,753	56,005,843	11,555,000	5,541,000	17,096,000	73,101,843	
2034	25,030,000	32,579,283	57,609,283	10,710,000	4,963,250	15,673,250	73,282,533	
2035	25,860,000	31,679,788	57,539,788	11,240,000	4,427,750	15,667,750	73,207,538	28.78%
2036	26,730,000	30,690,019	57,420,019	9,495,000	3,865,750	13,360,750	70,780,769	
2037	27,620,000	29,706,847	57,326,847	9,970,000	3,391,000	13,361,000	70,687,847	
2038	28,625,000	28,686,312	57,311,312	10,470,000	2,892,500	13,362,500	70,673,812	
2039	29,975,000	27,607,599	57,582,599	10,990,000	2,369,000	13,359,000	70,941,599	
2040	29,675,000	26,471,794	56,146,794	11,550,000	1,819,500	13,369,500	69,516,294	47.70%
2041	29,575,000	25,268,239	54,843,239	12,120,000	1,242,000	13,362,000	68,205,239	
2042	29,880,000	24,034,275	53,914,275	12,720,000	636,000	13,356,000	67,270,275	
2043	46,340,000	22,664,925	69,004,925	-	-	-	69,004,925	
2044	48,550,000	20,477,625	69,027,625	-	-	-	69,027,625	
2045	47,905,000	18,184,975	66,089,975	-	-	-	66,089,975	69.72%
2046	43,125,000	15,858,025	58,983,025	-	-	-	58,983,025	
2047	45,285,000	13,701,775	58,986,775	-	-	-	58,986,775	
2048	47,640,000	11,344,850	58,984,850	-	-	-	58,984,850	
2049	40,875,000	9,053,800	49,928,800	-	-	-	49,928,800	
2050	42,825,000	7,105,350	49,930,350	-	-	-	49,930,350	91.03%
2051	45,075,000	4,857,038	49,932,038	-	-	-	49,932,038	
2052	47,440,000	2,490,600	49,930,600	-	-	-	49,930,600	100.00%
	<u>\$ 874,595,402</u>	<u>\$ 696,843,940</u>	<u>\$ 1,571,439,342</u>	<u>\$ 156,690,000</u>	<u>\$ 73,155,938</u>	<u>\$ 229,845,938</u>	<u>\$ 1,801,285,279</u>	

(1) The District's fiscal year end is June 30. Due to the timing of tax collection receipts, the District budgets for debt payments on a calendar year basis.

(2) Outstanding Debt excludes the Refunded Bonds. Preliminary, subject to change.

(3) Average life of the Bonds is 9.338 years. Interest on the Bonds calculated at an average rate for purposes of illustration. Preliminary, subject to change.

TABLE 8 - INTEREST AND SINKING FUND BUDGET PROJECTION

Tax Supported Debt Service Requirements, Fiscal Year Ending 6/30/26 ⁽¹⁾	\$ 74,393,573
Interest and Sinking Fund Balance at 6/30/2025	\$ 85,676,106
Budgeted Interest and Sinking Fund Tax Levy	63,094,441
State Existing Debt Allotment ⁽²⁾	<u>1,255,235</u>
Total Projections	<u>\$ 150,025,782</u>
Projected Interest and Sinking Fund Balance at 6/30/26	<u>\$ 75,632,209</u>

(1) Includes the Bonds. Excludes the Refunded Bonds. Due to the timing of tax collection receipts, includes the August 15, 2026 principal and interest debt service requirement and excludes the August 15, 2025 principal and interest debt service requirement. Preliminary, subject to change.

(2) As reported by Texas Education Agency on the 2024-2025 Summary of Finances (Mesquite ISD).

TABLE 9 - AUTHORIZED BUT UNISSUED UNLIMITED TAX BONDS

Purpose	Date Authorized	Amount Authorized	Amount Previously Issued	Remaining Unissued Balance
School Building & Security	5/3/2025	\$ 578,500,000	\$430,000,000	\$148,500,000
Technology	5/3/2025	<u>21,500,000</u>	<u>20,000,000</u>	<u>1,500,000</u>
		<u>\$ 600,000,000</u>	<u>\$450,000,000</u>	<u>\$ 150,000,000</u>

ANTICIPATED ISSUANCE OF ADDITIONAL UNLIMITED TAX DEBT . . . The District does not anticipate the issuance of additional unlimited tax debt in the next 12 months.

TABLE 10 - OTHER OBLIGATIONS***Subscription Based IT Arrangements (SBITA)***

The District is under contract for noncancellable SBITAs that convey control of the right to use educational software and financial software. The incremental borrowing rate ranges from 0.28% to 2.58%. For the fiscal year ended June 30, 2025, the cost of the SBITA asset was \$5,587,635 and the accumulated amortization was \$1,688,103.

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

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2026	\$ 471,032	\$ 17,240	\$ 488,272
2027	162,408	4,981	167,389
Total	<u>\$ 633,440</u>	<u>\$ 22,221</u>	<u>\$ 655,661</u>

PENSION FUND . . . Pension funds for employees of Texas school districts, and any employee in public education in Texas, are administered by the Teacher Retirement System of Texas (the "System"). The individual employees contribute a fixed amount of their salary to the System, currently 8.25%, and the State contributes funds to the System based on statutory required minimum salary for certified personnel, except any District personnel paid by federally funded programs. For more detailed information concerning the retirement plan, see "Appendix B – Excerpts from the District's Annual Financial Report - Note #10".

FINANCIAL INFORMATION

TABLE 11 - SCHEDULE OF CHANGES IN NET ASSETS

	Fiscal Years Ended June 30,				Ten Months Ended June 30,
	2025	2024	2023	2022	2021 ⁽¹⁾
<u>Program Revenues</u>					
Charges for Services	\$ 8,810,244	\$ 9,446,368	\$ 5,875,258	\$ 5,524,570	\$ 3,756,514
Operating Grants and Contributions	73,630,963	104,160,358	142,195,997	77,118,724	96,323,258
<u>General Revenues</u>					
Property Taxes	152,652,399	136,619,452	159,550,519	145,161,506	142,611,715
State Aid - Formula	304,808,942	310,640,057	258,592,747	263,276,349	255,553,618
Investment Earnings	11,170,302	12,180,412	11,068,504	1,367,403	1,004,513
Other	6,701,616	5,883,133	8,560,193	4,434,731	356,590
Gain on Sale of Capital Asset	226,952	1,242,050	-	-	-
Total Revenues	\$ 558,001,418	\$ 580,171,830	\$ 585,843,218	\$ 496,883,283	\$ 499,606,208
<u>Expenditures</u>					
Instruction	\$ 324,146,868	\$ 321,439,654	\$ 295,150,806	\$ 274,847,578	\$ 253,851,257
Instructional Resources and Media Services	7,854,394	7,227,412	6,639,684	6,342,213	5,688,615
Curriculum Development and Instructional Staff Development	7,798,503	8,696,437	7,292,880	6,737,378	5,454,467
Instructional Leadership	12,498,006	12,122,165	10,844,878	10,567,782	8,846,579
School Leadership	27,576,763	26,537,091	25,635,053	23,727,815	20,756,774
Guidance, Counseling and Evaluation Services	27,294,562	26,076,257	23,571,129	20,840,244	19,492,634
Social Work Services	1,205,397	1,308,525	1,079,014	850,988	842,402
Health Services	6,030,154	5,834,891	5,445,567	4,829,697	4,521,525
Student (Pupil) Transportation	11,446,555	13,811,865	11,971,088	9,353,692	6,012,495
Food Services	28,722,768	26,809,894	25,200,070	22,855,448	18,114,682
Co-Curricular/Extracurricular Activities	13,315,579	13,257,609	10,953,546	11,161,863	7,930,129
General Administrative	14,972,701	13,028,247	13,095,078	11,247,135	9,974,731
Plant Maintenance and Operations	48,925,648	51,455,758	47,080,768	42,434,276	36,364,734
Security and Monitoring Services	8,417,286	8,798,596	5,988,243	4,632,315	3,792,137
Data Processing Services	16,864,113	15,437,491	11,245,832	14,131,184	9,298,669
Community Services	2,293,616	1,229,059	1,640,437	740,126	709,083
Interest on Long-Term Debt	23,778,492	21,186,786	25,699,088	31,509,235	23,573,122
Debt Service-bond issuance cost and fees	-	1,385,754	282,027	1,706,992	249,902
Facilities Acquisition and Construction	-	697,700	895,542	1,043,018	1,015,889
Payments to Juvenile Justice Alternative Education Programs	12,918	7,332	13,146	3,456	25,488
Payments to Tax Increment Fund	-	-	-	-	-
Other Intergovernmental Charges	507,354	521,177	469,054	437,750	436,161
Total Expenditures	\$ 583,661,677	\$ 576,869,700	\$ 530,192,930	\$ 500,000,185	\$ 436,951,475
Excess (Deficiency) Before Other Resources, Uses and Transfers	\$ (25,660,259)	\$ 3,302,130	\$ 55,650,288	\$ (3,116,902)	\$ 62,654,733
Special Items - Prior Period Adjustment	-	-	-	(825,532)	-
Beginning Net Assets	304,379,419	301,077,289	245,427,001	249,369,435	186,714,702
Restatement	(3,058,388)	-	-	-	-
Ending Net Assets	\$ 275,660,772	\$ 304,379,419	\$ 301,077,289	\$ 245,427,001	\$ 249,369,435

(1) The District changed its fiscal year end from August 31 to June 30 effective June 30, 2021.

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TABLE 11-A - SCHEDULE OF GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Years Ended June 30,				Ten Months Ended June 30,
	2025	2024	2023	2022	2021 ⁽¹⁾
<u>Revenues:</u>					
Local, Intermediate & Out-of-State	\$ 110,772,345	\$ 99,290,334	\$ 118,394,429	\$ 103,270,214	\$ 101,051,634
State Sources	316,160,802	326,413,392	272,473,967	271,914,359	271,295,464
Federal Sources	6,943,481	11,644,717	18,741,790	10,866,810	2,563,359
Total Revenues	<u>\$433,876,628</u>	<u>\$437,348,443</u>	<u>\$409,610,186</u>	<u>\$386,051,383</u>	<u>\$374,910,457</u>
<u>Expenditures:</u>					
Instruction and Instruction Related Services	\$ 281,785,451	\$ 265,477,689	\$ 214,377,007	\$ 243,951,043	\$ 209,025,807
Instructional and School Leadership	35,304,817	33,461,068	31,246,770	31,070,228	23,351,679
Support Services - Student (Pupil)	37,081,613	36,388,389	34,686,282	34,894,381	25,560,467
Cocurricular/Extracurricular Activities	10,768,169	10,810,247	8,792,710	9,284,576	7,311,958
Administrative Support Services	12,699,089	11,684,909	11,788,730	10,522,738	8,412,896
Support Services - Nonstudent Based	68,779,845	70,720,856	66,183,973	59,211,944	47,674,747
Ancillary Services	364,876	340,258	253,415	244,485	213,922
Debt Services	1,370,985	1,332,380	2,101,069	1,031,543	-
Capital Outlay	115,912	976,965	1,456,777	8,157,445	1,679,198
Intergovernmental Charges	520,272	528,509	482,200	441,206	461,649
Total Expenditures	<u>\$448,791,029</u>	<u>\$431,721,270</u>	<u>\$371,368,933</u>	<u>\$398,809,589</u>	<u>\$323,692,323</u>
Excess (Deficiency) of Revenues over Expenditures	\$ (14,914,401)	\$ 5,627,173	\$ 38,241,253	\$ (12,758,206)	\$ 51,218,134
Other Resources (Uses) Net	1,677,140	(9,109,908)	(16,534,224)	(42,056,975)	(807,717)
Beginning Fund Balance	135,642,994	139,125,729	117,418,700	176,671,424	126,261,007
Prior Year Adjustment	-	-	-	(4,437,543)	-
Ending Fund Balance	<u>\$122,405,733 ⁽²⁾</u>	<u>\$135,642,994</u>	<u>\$139,125,729</u>	<u>\$117,418,700</u>	<u>\$176,671,424</u>

(1) The District changed its fiscal year end from August 31 to June 30 effective June 30, 2021.

(2) The District anticipates its Ending Fund Balance for fiscal year ended June 30, 2026, to be approximately \$103,119,038 (unaudited).

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FINANCIAL POLICIES

Basis of Accounting . . . The accounting policies of the District substantially comply with the rules prescribed in Bulletin 679, Financial Accounting Manual by the Texas State Board of Education. These accounting policies conform to generally accepted accounting principles applicable to governments.

General Fund Balance . . . The District's policy is to maintain surplus and unencumbered funds equal to approximately two (2) months of expenditures in the General Fund. This allows the District to avoid interim borrowing pending tax receipts.

Budgetary Procedures . . . The District's policy is to begin budget preparations on the individual school level in March of each year. The principals work with the teachers to formulate a working budget which then moves to the office of the Superintendent and Business Manager. After refinements at this level, the budget goes to the Board in August where it is further refined and goes through public hearings prior to final adoption in late August. Priorities are based on long-term and annual goals.

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 clause (1), 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.

Governmental bodies in the State are authorized to implement securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) 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.

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 and the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the 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, the fully accrued interest during the reporting period and the ending market value of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment 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), 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:

Type of Investment	Book Value	% Invested	Market Value	% Invested
U.S. Government Agency	\$ 46,480,401	7.09%	\$ 46,209,943	7.07%
U.S. Government Treasury	380,550,816	58.03%	378,534,179	57.92%
Commercial Paper	55,956,250	8.53%	55,954,943	8.56%
LOGIC	63,413,333	9.67%	63,413,333	9.70%
LoneStar	23,539,452	3.59%	23,539,452	3.60%
Texas Class	22,111,503	3.37%	22,111,503	3.38%
TexPool	43,529,830	6.64%	43,529,830	6.66%
Texstar ⁽¹⁾	20,214,355	3.08%	20,214,355	3.09%
	<u>\$ 655,795,941</u>	<u>100.00%</u>	<u>\$ 653,507,539</u>	<u>100.00%</u>

- (1) TexSTAR is a local government investment pool for whom Hilltop Securities Inc. is a co-administrator for the pool. TexSTAR currently maintains a "AAAm" rating from Standard & Poor's and has an investment objective of achieving and maintaining a stable net asset value of \$1.00 per share. Daily investments or redemptions of funds are allowed by the participants.

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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 opinion, 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 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, corporations subject to the alternative minimum tax on adjusted financial statement income, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount 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 (or, in some cases with respect to a callable Bond, the yield based on a call date that results in the lowest yield on the Bond).

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 on an annual basis. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the “MSRB”). 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 certain specified events related to the guarantee, to the MSRB.

ANNUAL REPORTS . . . The District will provide certain updated financial information and operating data annually to the MSRB. The information to be updated includes financial information and operating data with respect to the District of the general type included in this Official Statement in Tables 1 through 5 and 7 through 12 (the “Annual Financial Information”). The District will additionally provide financial statements of the District (the “Financial Statements”), that will be (i) 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 and shall be in substantially the form included in Appendix B and (ii) audited, if the District commissions an audit of such Financial Statements and the audit is completed within the period during which they must be provided. The District will update and provide the Annual Financial Information within six months after the end of each fiscal year and the Financial Statements within 12 months of the end of each fiscal year, in each case beginning with the fiscal year ending in and after 2026. The District may provide the Financial Statements earlier, including at the time it provides its Annual Financial Information, but if the audit of such Financial Statements is not complete within 12 months after any such fiscal year end, then the District shall file unaudited Financial Statements within such 12-month period and audited Financial Statements for the applicable fiscal year, when and if the audit report on such Financial Statements becomes available.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the “Rule”).

The District's current fiscal year end is June 30th, and, accordingly, the Annual Financial Information must be provided by the last day of December in each year, and the Financial Statements must be provided by June 30th of each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

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 of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material, (15) incurrence of a Financial Obligation (hereinafter defined) of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the Financial Obligation of the District, any of which reflect financial difficulties.

As used in clause (12) above, the phrase “bankruptcy, insolvency, receivership or similar event” means 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. (Neither the Bonds nor the Order make any provision for debt service reserves, liquidity enhancement or credit enhancement other than the Permanent School Fund Guarantee). The term “Financial Obligation” shall mean, for purposes of the events in clauses (15) and (16), a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing, or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “Financial Obligation” shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in Rule 15c2-12) has been provided to the MSRB consistent with Rule 15c2-12. Further, the District intends the words used in clauses (15) and (16) above and the definition of Financial Obligation in this Section to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports.”

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

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

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if (1) the agreement, as amended would have permitted an underwriter to purchase or sell the Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule 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 (5) years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

CYBERSECURITY RISKS

The District, like other school districts in the State, utilizes technology in conducting its operations. As a user of technology, the District potentially faces cybersecurity threats (e.g., hacking, phishing, viruses, malware and ransomware) on its technology systems. Accordingly, the District may be the target of a cyber-attack on its technology systems that could result in adverse consequences to the District. The District employs a multi-layered approach to combating cybersecurity threats. While the District deploys layered technologies and requires employees to receive cybersecurity training, as required by State law, among other efforts, cybersecurity breaches could cause material disruptions to the District's finances or operations. The costs of remedying such breaches or protecting against future cyber-attacks could be substantial and there is no assurance that these costs will be covered by insurance. Further, cybersecurity breaches could expose the District to litigation and other legal risks, which could cause the District to incur other costs related to such legal claims or proceedings.

WEATHER EVENTS

The District is located in North Texas. Land located in this area is susceptible to high winds and tornadic activity. If a future weather event significantly damaged all or part of the properties comprising the tax base within the District, the assessed value of property within the District could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase the District's tax rate. Texas law allows the District to increase property tax rates without voter approval upon the occurrence of certain disasters such as floods and upon a gubernatorial or presidential declaration of disaster. There can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood or other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District or be sufficient for such purposes. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District could be adversely affected.

OTHER INFORMATION

RATINGS

The Bonds are rated "AAA" by S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P") and "AAA" by Fitch Ratings Inc. ("Fitch") by virtue of the guarantee of the Permanent School Fund of the State of Texas. Additionally, the Bonds and presently outstanding tax supported debt of the District are rated "AA" by S&P and "AA+" by Fitch, without regard to credit enhancement. The District also has issues outstanding which are rated "AAA" by S&P and "AAA" by Fitch by virtue of the guarantee by the Permanent School Fund of the State. An explanation of the significance of any rating may be obtained from the company furnishing the rating. Each rating reflects only the respective view of such organizations and the District makes no representation as to the appropriateness of the rating. There is no assurance that any rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating companies, if in the judgment of either or both of such companies, circumstances so warrant. Any such downward revision or withdrawal of any rating may have an adverse effect on the market price of the Bonds. A securities rating is not a recommendation to buy, sell, or hold securities and may be subject to revision or withdrawal at any time.

LITIGATION

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

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

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

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. 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 Public Funds Investment Act, Chapter 2256, Texas Government Code, 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 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 Public Funds Investment Act may have other, more stringent requirements for purchasing securities, including the Bonds. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value.

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

LEGAL MATTERS

The District will furnish the Underwriters a complete transcript of proceedings had incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas as to the Bonds to the effect that the Bonds are valid and legally binding obligations of the District, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel to like effect and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein, the form of which opinion is attached to this Official Statement as Appendix C. Though it represents the Municipal Advisor and the Underwriters from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the District in connection with the issuance of the Bonds. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds which would affect the provision made for their payment or security, or in any manner questioning the validity of said Bonds will also be furnished. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under the captions and subcaptions "PLAN OF FINANCING" (excluding the information under "Sources and Uses of Proceeds"), "THE BONDS" (excluding the information under the subcaptions "Permanent School Fund Guarantee," "Book-Entry-Only System," 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" (excluding the information under the subcaption "Compliance with Prior Undertakings"), "OTHER INFORMATION - Registration and Qualification of Bonds for Sale," "OTHER INFORMATION - Legal Investments and Eligibility to Secure Public Funds in Texas," and "OTHER INFORMATION - Legal Matters" (excluding the last sentence of the first paragraph thereof) in the Official Statement and such firm is of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the provisions of the Order. The 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. Certain legal matters will be passed upon for the Underwriters by their counsel, Winstead PC and Cantu Harden Montoya LLP, both of Dallas, 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.

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. 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 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 respective 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 Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the District, at a price equal to the initial public offering price set forth on page 2 of this Official Statement, less an underwriting discount of \$ _____.

The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriters.

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

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

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the District. Such investment and securities activities may involve securities and instruments of the District.

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

Piper Sandler & Co., an underwriter of the Bonds, has entered into a distribution agreement ("Distribution Agreement") with Charles Schwab & Co., Inc. ("CS&Co") for the retail distribution of certain securities offerings including the Bonds, at the original issue prices. Pursuant to the Distribution Agreement, CS&Co. will purchase Bonds from Piper at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS&Co. sells.

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.

The Bond Order authorizing the issuance of the Bonds delegated to the Pricing Officer the authority to approve in the Pricing Certificate, the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Bonds by the Underwriters.

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SCHEDULE I

SCHEDULE OF REFUNDED BONDS*

Unlimited Tax Refunding Bonds, Series 2016A

Original Dated Date	Original Maturity	Principal Amounts Outstanding	Interest Rates	Amount Being Refunded	Redemption Date*
6/15/2016	8/15/2027	\$ 1,220,000	4.000%	\$ 1,220,000	8/27/2026
	8/15/2028	1,275,000	4.000%	1,275,000	8/27/2026
	8/15/2029	1,320,000	4.000%	1,320,000	8/27/2026
	8/15/2030	1,375,000	4.000%	1,375,000	8/27/2026
	8/15/2031	1,435,000	4.000%	1,435,000	8/27/2026
	8/15/2032	1,490,000	4.000%	1,490,000	8/27/2026
	8/15/2033	1,550,000	4.000%	1,550,000	8/20/2026
		<u>\$ 9,665,000</u>		<u>\$ 9,665,000</u>	

Unlimited Tax Refunding Bonds, Series 2016B

Original Dated Date	Original Maturity	Principal Amounts Outstanding	Interest Rates	Amount Being Refunded	Redemption Date*
6/15/2016	8/15/2027	\$ 1,820,000	4.000%	\$ 1,820,000	8/27/2026
	8/15/2028	1,895,000	4.000%	1,895,000	8/27/2026
	8/15/2029	1,965,000	4.000%	1,965,000	8/27/2026
	8/15/2033	2,325,000	5.000%	2,325,000	8/27/2026
	8/15/2034	2,440,000	5.000%	2,440,000	8/27/2026
	8/15/2035	2,565,000	5.000%	2,565,000	8/27/2026
		<u>\$ 13,010,000</u>		<u>\$ 13,010,000</u>	

Unlimited Tax School Building Bonds, Series 2016C

Original Dated Date	Original Maturity	Principal Amounts Outstanding	Interest Rates	Amount Being Refunded	Redemption Date*
11/1/2016	8/15/2027	\$ 1,085,000	4.000%	\$ 1,085,000	8/27/2026
	8/15/2031	5,405,000	4.000%	5,405,000	8/27/2026
	8/15/2032	5,620,000	4.000%	5,620,000	8/27/2026
	8/15/2033	5,845,000	4.000%	5,845,000	8/27/2026
	8/15/2034	6,080,000	4.000%	6,080,000	8/27/2026
	8/15/2035	6,325,000	4.000%	6,325,000	8/27/2026
	8/15/2036	6,575,000	4.000%	6,575,000	8/27/2026
	8/15/2037	6,840,000	4.000%	6,840,000	8/27/2026
	8/15/2038 ⁽¹⁾	7,110,000	4.000%	7,110,000	8/27/2026
	8/15/2039 ⁽¹⁾	7,395,000	4.000%	7,395,000	8/27/2026
	8/15/2040 ⁽¹⁾	7,695,000	4.000%	7,695,000	8/27/2026
	8/15/2041 ⁽¹⁾	8,000,000	4.000%	8,000,000	8/27/2026
	8/15/2042 ⁽¹⁾	8,320,000	4.000%	8,320,000	8/27/2026
		<u>\$ 82,295,000</u>		<u>\$ 82,295,000</u>	

(1) Represents a mandatory redemption date for a term bond maturing on August 15, 2042.

* Preliminary, subject to change.

Unlimited Tax Refunding Bonds, Series 2017A

Original Dated Date	Original Maturity	Principal Amounts Outstanding	Interest Rates	Amount Being Refunded	Redemption Date*
5/15/2017	8/15/2027	\$ 1,065,000	5.000%	\$ 1,065,000	8/27/2026
	8/15/2028	1,120,000	5.000%	1,120,000	8/27/2026
	8/15/2029	1,175,000	5.000%	1,175,000	8/27/2026
	8/15/2030	1,235,000	5.000%	1,235,000	8/27/2026
	8/15/2031	1,295,000	5.000%	1,295,000	8/27/2026
	8/15/2032	1,360,000	5.000%	1,360,000	8/27/2026
		<u>\$ 7,250,000</u>		<u>\$ 7,250,000</u>	

Unlimited Tax School Building Bonds, Series 2017B

Original Dated Date	Original Maturity	Principal Amounts Outstanding	Interest Rates	Amount Being Refunded	Redemption Date*
5/15/2017	8/15/2027	\$ 2,425,000	5.000%	\$ 2,425,000	8/27/2026
	8/15/2028	3,840,000	5.000%	3,840,000	8/27/2026
	8/15/2029	4,030,000	5.000%	4,030,000	8/27/2026
	8/15/2030	4,230,000	5.000%	4,230,000	8/27/2026
	8/15/2031	4,435,000	5.000%	4,435,000	8/27/2026
	8/15/2032	4,045,000	5.000%	4,045,000	8/27/2026
	8/15/2033	4,245,000	5.000%	4,245,000	8/27/2026
	8/15/2034	4,460,000	5.000%	4,460,000	8/27/2026
	8/15/2035	4,680,000	5.000%	4,680,000	8/27/2026
	8/15/2036	4,915,000	5.000%	4,915,000	8/27/2026
	8/15/2037	5,160,000	5.000%	5,160,000	8/27/2026
	8/15/2038	5,420,000	5.000%	5,420,000	8/27/2026
	8/15/2039 ⁽¹⁾	5,690,000	5.000%	5,690,000	8/27/2026
	8/15/2040 ⁽¹⁾	5,975,000	5.000%	5,975,000	8/27/2026
	8/15/2041 ⁽¹⁾	6,275,000	5.000%	6,275,000	8/27/2026
	8/15/2042 ⁽¹⁾	6,580,000	5.000%	6,580,000	8/27/2026
		<u>\$ 76,405,000</u>		<u>\$ 76,405,000</u>	

(1) Represents a mandatory redemption date for a term bond maturing on August 15, 2042.

* Preliminary, subject to change.

APPENDIX A

GENERAL INFORMATION REGARDING THE DISTRICT

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THE DISTRICT . . . Mesquite Independent School District (the “District”) encompasses 59.41 square miles in east central Dallas County. Its western and southern boundaries are coterminous with the Dallas Independent School District, and it is bounded on the north and east by the Garland Independent School District, the Sunnyvale Independent School District, the Dallas County line and the Kaufman County Line.

The District is in one of the growing sections of Dallas County, with present population estimated to be 185,999. The City of Mesquite (the “City”), located in the District, had a population at the 2020 Census of 150,108, and its population is presently estimated at approximately 155,382. Also, the City of Balch Springs is partially in the District and has a population of approximately 27,923.

Scholastic enumeration of the District:

2006-07 School Term - 35,984	2016-17 School Term - 41,000
2007-08 School Term - 36,597	2017-18 School Term - 40,111
2008-09 School Term - 36,972	2018-19 School Term - 40,027
2009-10 School Term - 37,284	2019-20 School Term - 39,856
2010-11 School Term - 37,732	2020-21 School Term - 38,300
2011-12 School Term - 38,245	2021-22 School Term - 38,378
2012-13 School Term - 39,048	2022-23 School Term - 38,356
2013-14 School Term - 39,793	2023-24 School Term - 38,265
2014-15 School Term - 40,140	2024-25 School Term - 37,930
2015-16 School Term - 40,510	2025-26 School Term - 36,625

The District has excellent school plants, all of which are air-conditioned. There are 52 school buildings in the District, including 34 elementary, 10 middle schools and 6 senior high schools and one K-12 alternative school, and the Mesquite Academy. The District has a total of 5,811 employees, of which 3,669 are professional persons. When the master plan for development of the system is completed, there will be one Pre-K center, 33 elementary schools, 10 middle schools, 6 senior high schools, one K-12 alternative school, and the Mesquite Academy.

The District owns and operates its own FM radio station, a 500 foot broadcast tower and a 2,500 Megahertz 16-channel television station equipped to produce filmed, live, or taped programs on all four channels simultaneously, with a receiver in every classroom in the District. The station includes offices and studios as well as mechanical facilities.

The latest estimate shows the following companies in the City with 100 or more employees:

<u>Company Name</u>	<u>Nature of Business</u>	<u>Number of Employees</u>
Mesquite ISD	Education	5,812
Town East Mall	Shopping Center	2,750
United Parcel Service Inc	Postal Carrier	2,300
Canadian Solar	Manufacturing	1,500
City of Mesquite	Public Administration	1,440
Pepsi Beverages Co	Manufacturing	1,000
Eastfield College	Education	950
Wal-Mart Supercenter	Retail	850
Ashley Furniture	Distribution/Manufacturing	785
Dallas Regional Medical Center	Health Care	667

LABOR FORCE

The City employment figures, as reported by the Texas Workforce Commission, Labor Market Information, are as follows:

	Average Annual 2025	Average Annual 2024	Average Annual 2023	Average Annual 2022	Average Annual 2021
City of Mesquite					
Civilian Labor Force	80,878	80,428	78,504	77,811	76,859
Total Employed	78,118	77,133	75,443	74,785	72,420
Unemployed	2,760	3,295	3,061	3,026	4,439
% Unemployed	3.4%	4.1%	3.9%	3.9%	5.8%
% Unemployed (Texas)	4.1%	4.1%	4.0%	3.9%	5.6%

TRANSPORTATION . . . Three major highways cross through the Mesquite City Limits - Interstate Routes 20 and 30, and Interstate 635. These highways connect to the R.L. Thornton Expressway, giving convenient access to downtown Dallas. In addition, highway transportation is furnished by State Highway 352 (which connects with Interstate Route 635) and Military Parkway, a divided four-lane boulevard providing access to downtown Dallas. The City is also well served by rail facilities. Air transportation facilities include the City's municipal airport as well as good access to Dallas-Fort Worth International Airport and Dallas Love Field Airport. Public transportation through Dallas Area Rapid Transit became available in March of 2012.

SHOPPING CENTERS . . . Town East Mall, the first multi-level, air-conditioned regional shopping center in the Dallas-Tarrant County area, contains more than 1,300,000 square feet of floor space under one roof and houses four anchor department stores and approximately 120 smaller stores and shops. A paved parking area sufficient to handle 7,000 automobiles at one time is provided. Town East Mall is considered one of the top performing malls in the Dallas – Ft. Worth metroplex.

BANKS . . . Thirteen banks as well as several savings and loan associations serve the City.

DALLAS COLLEGE . . . Dallas College acquired 245 acres in the City for the location of the first suburban campus in its county-wide system. The facility, known as Eastfield College, opened in September 1970, and enrollment is approximately 13,300 each year. Eastfield has recently expanded the campus, with the addition of 2 new buildings.

HOSPITALS . . . There are two hospitals in the City. Mesquite Specialty Hospital opened in 2006, has an occupancy rate of more than 90%. The City is served by approximately 221 medical doctors. Dallas Regional Hospital completed an expansion of the Cardiac Care unit and medical offices in the past three years.

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APPENDIX B

EXCERPTS FROM THE
MESQUITE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2025

The information contained in this Appendix consists of excerpts from the Mesquite Independent School District Annual Financial Report for the Fiscal Year Ended June 30, 2025, and is not intended to be a complete statement of the District's financial condition. Reference is made to the complete Report for further information.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Mesquite Independent School District

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Mesquite Independent School District (the "District"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2025 and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

To the Board of Trustees
Mesquite Independent School District

The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements and required TEA schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2025 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Dallas, Texas
November 10, 2025



MESQUITE INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Mesquite Independent School District ("the District"), we offer readers of these financial statements this narrative overview and analysis of the District's financial activities for the fiscal year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with the District's letter of transmittal and financial statements, which are provided in the following sections.

Financial Highlights

Government-wide Financial Statements

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the end of the fiscal year by \$275.7 million (net position), a decrease of \$28.7 million from the prior year, including a negative \$3.0 million restated of beginning net position. The unrestricted net position, which represents the amounts available to meet the District's ongoing obligations, was a deficit of \$141.8 million. The District is required to recognize liabilities associated with employees' pension and other post-employment benefits. As of June 30, 2025, these liabilities totaled \$259.2 million, which caused the deficit balance in unrestricted net position. The remaining net position consists of \$330.6 million for the District's net investment in capital assets, \$9.3 million restricted for federal and state grants, and \$77.5 million restricted for debt services.

Fund Level Financial Statements

- The District's General Fund fund balance was \$122.4 million, a decrease of \$13.2 million compared to the prior year. Of this amount, \$105.4 million is unassigned fund balance and represents 23 percent of General Fund expenditures.
- The District's National School Breakfast and Lunch Program Fund fund balance was \$10.0 million, a decrease of \$0.5 million compared to the prior year. Of this amount, \$0.9 million in non-spendable inventories and \$9.1 million is restricted to the operations of the breakfast and lunch program.
- The District's FCC License Fund fund balance was \$2.8 million, an increase of \$0.1 million compared to the prior year. This fund balance is committed to purposes designated by the Superintendent.
- The District's Debt Service Fund fund balance was \$85.7 million, an increase of \$13.8 million compared to the prior year. 100% of this fund balance is restricted to pay the District's principal, interest and related fee of its bonds.
- The District's Capital Projects Fund fund balance was \$7.2 million, a decrease of \$24.8 million compared to the prior year. Of this amount, \$2.6 million is restricted for construction projects and \$4.7 million is assigned to construction and capital expenditures for equipment.

Overview of the Financial Statements

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

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

The *statement of net position* presents information on all of the District's assets, deferred outflows of resources and liabilities, and deferred 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 for all of the current year's revenues and expenses regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

MESQUITE INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Both of the District's government-wide financial statements distinguish the functions of the District as being principally supported by taxes and intergovernmental revenues (*governmental activities*) as opposed to *business-type activities* that are intended to recover all or a significant portion of their costs through user fees and charges. The District has no *business-type activities* and no component units for which it is financially accountable. The government-wide financial statements can be found on pages 16-17 of this report.

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

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

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

- **Governmental funds:** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The District maintains several governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, national school breakfast and lunch program, FCC License, debt service fund, and capital projects fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Fund data for these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The District adopts an annual appropriated budget for its general fund, debt service fund and food service fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found on pages 16-29 of this report.

- **Proprietary funds.** Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. There are two proprietary fund types. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. As mentioned above in the government-wide definition, the District has no business-type activities or enterprise funds. The second type of proprietary fund is the internal service fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the various functions. The District uses the internal service fund to report activities for its print shop, health center, self-funded health insurance program, and workers' compensation insurance program. The basic proprietary fund financial statements can be found on pages 25-27 of this report.

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

- **Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District is the trustee, or fiduciary, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary fund net position and a statement of changes in fiduciary fund net position that can be found on pages 28-29 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-64 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. Required supplementary information can be found on pages 66-73 of this report.

The combining statements in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information. Combining statements can be found on pages 76-97 of this report.

Government-Wide Financial Analysis

As noted earlier, net position over time may serve 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 \$275.7 million as of June 30, 2025, a decrease of \$28.7 million from the previous year, including a negative \$3.0 restatement of beginning net position. See note 18 to the financial statements for more information.

The District's Net Position

	Governmental Activities		
	2025	2024	Difference
Current and other assets	\$ 307,006,928	\$ 324,318,798	\$ (17,311,870)
Capital assets, net of depreciation	1,029,784,842	1,093,988,893	(64,204,051)
Total Assets	1,336,791,770	1,418,307,691	(81,515,921)
Deferred outflow of resources	144,541,914	181,010,618	(36,468,704)
Total Deferred Outflows of Resources	144,541,914	181,010,618	(36,468,704)
Long term liabilities	1,004,564,687	1,060,524,049	(55,959,362)
Other liabilities	62,146,986	84,776,453	(22,629,467)
Total Liabilities	1,066,711,673	1,145,300,502	(78,588,829)
Deferred inflow of resources	138,961,239	149,638,388	(10,677,149)
Total Deferred Inflows of Resources	138,961,239	149,638,388	(10,677,149)
Net Position:			
Net investment in capital assets	330,621,869	346,388,499	(15,766,630)
Restricted	86,811,944	74,243,147	12,568,797
Unrestricted	(141,773,041)	(116,252,227)	(25,520,814)
Total Net Position	\$ 275,660,772	\$ 304,379,419	\$ (28,718,647)

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

Governmental activities. The District's total net position a decrease by \$28.7 million, including a negative \$3.0 million restatement of beginning net position for change in accounting principles. Although the District reports a deficit for the unrestricted net position, the deficit is primarily due to reporting the District's proportionate share of the net pension and OPEB liabilities. The total district liability is reported in the governmental activities; however, the actual liability does not require the use of current resources at the fund level. This liability is based on the District's proportionate share of the liabilities. The District has made all contractually required contributions as noted in the required supplementary information and has sufficient fund balance to meet the District's ongoing obligations to citizens and creditors.

Changes in the District's Net Position

	Governmental Activities		
	2025	2024	Difference
Program Revenues			
Charges for services	\$ 8,810,244	\$ 9,446,368	\$ (636,124)
Operating grants and contributions	73,630,963	104,160,358	(30,529,395)
General Revenues			
Property taxes	152,652,399	136,619,452	16,032,947
State aid formula grants	304,808,942	310,640,057	(5,831,115)
Investment earnings	11,170,302	12,180,412	(1,010,110)
Miscellaneous revenue	6,701,616	5,883,133	818,483
Gain on sale of capital asset	226,952	1,242,050	(1,015,098)
Total Revenues	<u>558,001,418</u>	<u>580,171,830</u>	<u>(22,170,412)</u>
Expenses			
Instruction	324,146,868	321,439,654	2,707,214
Instructional resources and media services	7,854,394	7,227,412	626,982
Curriculum and staff development	7,798,503	8,696,437	(897,934)
Instructional leadership	12,498,006	12,122,165	375,841
School leadership	27,576,763	26,537,091	1,039,672
Guidance, counseling, and evaluation services	27,294,562	26,076,257	1,218,305
Social work services	1,205,397	1,308,525	(103,128)
Health services	6,030,154	5,834,891	195,263
Student transportation	11,446,555	13,811,865	(2,365,310)
Food service	28,722,768	26,809,894	1,912,874
Extracurricular activities	13,315,579	13,257,609	57,970
General administration	14,972,701	13,028,247	1,944,454
Facilities maintenance and operations	48,925,648	51,455,758	(2,530,110)
Security and monitoring services	8,417,286	8,798,596	(381,310)
Data processing services	16,864,113	15,437,491	1,426,622
Community services	2,293,616	1,229,059	1,064,557
Interest and fiscal charges for long term debt	23,778,492	21,186,786	2,591,706
Debt issuance costs and fees	-	1,385,754	(1,385,754)
Facilities repairs and maintenance	-	697,700	(697,700)
Payments to Juvenile Justice Alternative			
Education Programs	12,918	7,332	5,586
Other governmental charges for tax collection	507,354	521,177	(13,823)
Total Expenses	<u>583,661,677</u>	<u>576,869,700</u>	<u>6,791,977</u>
Increase (decrease) in net position	(25,660,259)	3,302,130	(28,962,389)
Beginning Net Position, as Previously Reported	<u>304,379,419</u>	<u>301,077,289</u>	<u>3,302,130</u>
Restatement for changes in accounting principles	(3,058,388)	-	(3,058,388)
Beginning Net Position, as Restated	<u>301,321,031</u>	<u>301,077,289</u>	<u>243,742</u>
Ending Net Position	<u>\$ 275,660,772</u>	<u>\$ 304,379,419</u>	<u>\$ (28,718,647)</u>

MESQUITE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT’S DISCUSSION AND ANALYSIS (continued)

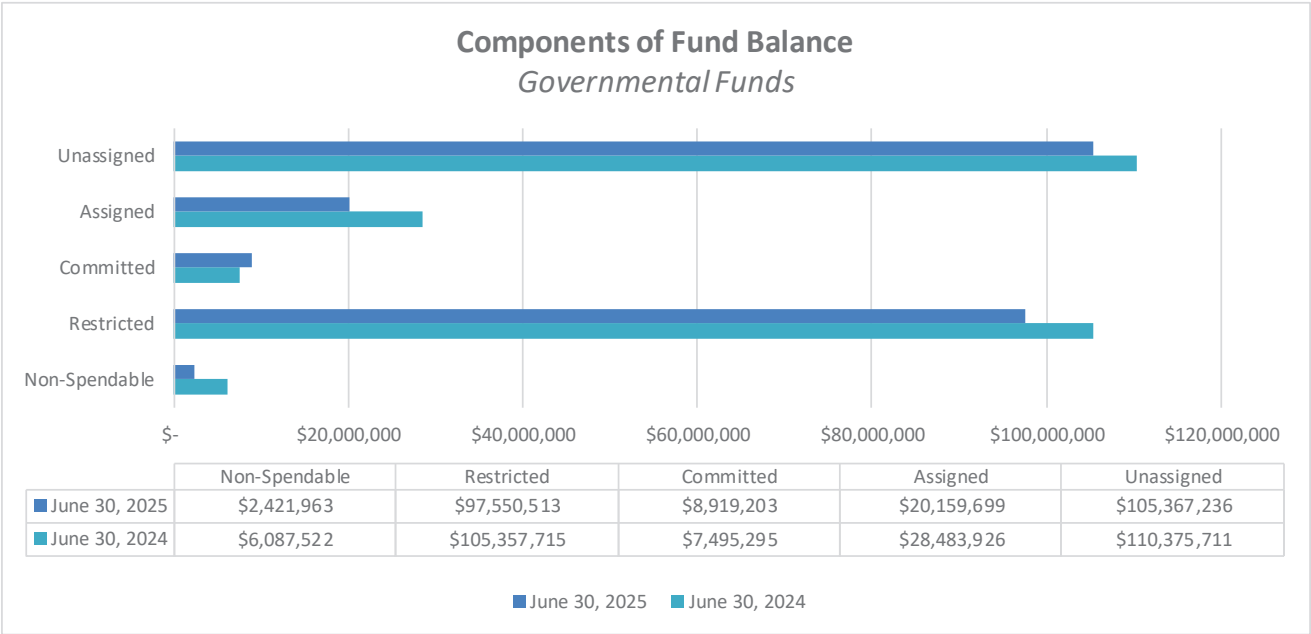
The total cost of all governmental activities this year was \$583.7 million. The amount that our taxpayers paid for these activities through property taxes was \$152.7 million or 26%. An increase in net appraised property tax value resulted in a 16% increase in the tax levy.

Financial Analysis of the District’s Funds

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

Governmental funds. The focus of the District’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District’s financing requirements. In particular the unassigned fund balance may serve as a useful measure of the District’s net resources available for discretionary use as it represents the portion of the fund balance which has not yet been limited for a particular purpose as of the end of a fiscal year.

As of June 30, 2025, the District’s governmental funds reported combined ending fund balances of \$234.4 million, a decrease of \$23.4 million. Approximately 45% or \$105.4 million constitutes unassigned fund balance. The remainder of fund balance is designated to indicate that it is not available for new spending as follows: non-spendable, inventory and prepaid items \$2.4 million, restricted for debt service \$85.7 million, restricted for capital projects fund \$2.6 million, \$8.9 million committed by the Board of Trustees, \$20.2 million assigned for construction, capital expenditures for equipment and other purposes, and \$9.3 million restricted for federal/state grants.



The General Fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$105.4 million, while the total fund balance was \$122.4 million. As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the total fund expenditures. Unassigned fund balance represents 23 percent of the total general fund expenditures, while total fund balance represents 27 percent of that same amount.

The net assessed property tax values increased from \$12.4 billion to \$14.1 billion from the prior year to the current year. The tax rate is \$1.0969, a decrease of \$0.0023 from prior year. The current year levy is \$154.9 million, an increase of 16% from the prior year.

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

Proprietary funds. As mentioned earlier, the District's proprietary funds provide detailed information concerning the District's internal service funds, which consist of the print shop, self health insurance, employee health center, and workers compensation.

The District's proprietary funds unrestricted net position as of June 30, 2025 amounted to \$0.4 million.

General Fund Budgetary Highlights

The budget was amended several times during the year to reflect updated revenue and expenditure estimates based on year-end projections. Budgeted revenue \$429.4 from million to \$430.6 million. Appropriations from \$457.6 million to \$454.0 million. The most significant amendments to the original budget were as follows:

General Fund Estimated Revenues

Overall revenues increased by \$1.2 million compared to the prior budget revision.

- Local revenue increased by \$4.34 million due to higher property values and related tax collections.
- State revenue decreased by \$3.14 million primarily due to a decline in enrollment and average daily attendance (ADA).

General Fund Appropriations

On the expenditure side, the budget was realigned across all functions, resulting in an overall reduction compared to the previously revised budget.

- The amendments included \$1.5 million in salaries moved from the IDEA-B Grant to the General Fund.
- Transfers out were increased by \$1.2 million to support the Regional Day School for the Deaf Fund and the Print Shop Internal Service Fund to cover projected deficits.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of June 30, 2025, amounts to \$1.0 billion (net of accumulated depreciation and amortization). This investment in capital assets includes land, buildings and improvements, furniture and equipment, right to use assets, and construction in progress.

District's Capital Assets (Net of Depreciation/Amortization)

	2025	2024	Difference
Land	\$ 20,394,923	\$ 20,394,923	\$ -
Buildings and improvements	913,729,010	816,612,715	97,116,295
Furniture and equipment	80,717,081	92,348,422	(11,631,341)
Right to use asset - lease and SBITAs	3,899,532	1,855,335	2,044,197
Construction in progress	11,044,296	123,440,808	(112,396,512)
Total Capital Assets, Net	\$ 1,029,784,842	\$ 1,054,652,203	\$ (24,867,361)

During the fiscal year, the following major projects were placed into service:

- Mesquite High School wrestling facility - \$12.1 million
- Mesquite ISD Employee Health Center - \$7.6 million
- Eastfield Aquatic Center - \$10.7 million
- North Mesquite High School pavilions - \$4.6 million
- Mesquite Academy gym renovations - \$8.8 million

Both leases and SBITAs are intangible, right to use assets. The District does not own these assets, but rather has the right to use them in operations, as specified in their respective contracts. When entering into a lease or SBITA contract, a liability is also recognized, which is included as part of long-term financings discussion below. Additional information on the District's capital assets can be found in the Note 5 to the financial statement as indicated in the table of contents of this report.

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

Long-term debt. At the end of June 30, 2025, the District had total bonded debt outstanding (including premiums) of \$739.6 million, a decrease of \$33.8 million from the prior year. The “AAA” long-term rating on the District’s Texas’ bonds reflects the Texas Permanent School Fund guarantee. The “AA” Standard & Poor’s and “AA+” Fitch ratings on the District’s unenhanced debt reflects the District’s: 1) participation in the strong and growing Dallas area economy, 2) very strong administrative management, and 3) superior cash position.

	2025	2024	Difference
Bonds payable	\$ 655,349,281	\$ 680,866,378	\$ (25,517,097)
Unamortized bond premium	70,750,304	78,108,276	(7,357,972)
Accreted interest	13,465,830	14,431,616	(965,786)
Right to use liability - leases and SBITAs	633,440	1,283,115	(649,675)
Compensated absences	5,174,194	4,208,212	965,982
District's portion of TRS net pension liability	156,112,616	201,311,470	(45,198,854)
District's portion of TRS net OPEB liability	103,079,022	83,373,370	19,705,652
Total Long-term Liabilities	\$ 1,004,564,687	\$ 1,063,582,437	\$ (59,017,750)

Additional information on the District’s bonded debt, compensated absences, and right to use liabilities can be found in Note 7 to the financial statements as indicated in the table of contents of this report.

Additional information on the District’s Net Pension and OPEB liabilities can be found in Notes 10 and 11 to the financial statements as indicated in the table of contents of this report.

Economic Factors and Next Year’s Budgets

The development of the 2025–2026 budget occurred during a period of significant economic and legislative uncertainty. The Texas Legislature did not finalize major school finance legislation until June 4, 2025, just days before the District’s budget adoption on June 9, 2025, creating challenges in forecasting and compensation planning.

Legislative and Funding Environment

House Bill 2 (HB 2), enacted by the 89th Texas Legislature, authorized an additional \$8.5 billion in statewide public education funding. The bill focused on teacher pay increases, special education support, school safety, and support-staff retention, and introduced the Teacher Retention Allotment (TRA) and updated teacher certification requirements. However, because the legislation was approved immediately before budget adoption, detailed implementation guidance and funding allocations were unavailable at that time.

The District therefore adopted a conservative budget framework, anticipating future amendments once additional guidance was issued. The timing of the legislation also created uncertainty regarding compensation increases for certain staff groups, requiring the District to prioritize stability and flexibility in financial planning.

Student Enrollment Trends

Student enrollment continues to be a critical factor in determining state funding and overall budget stability. The District’s enrollment has not returned to pre-pandemic levels, declining from 40,379 students in 2018–2019 to approximately 37,930 students in 2024–2025. This gradual reduction reflects regional demographic shifts, changes in housing affordability, and the continued effects of post-pandemic migration patterns within the Dallas–Fort Worth area. In addition, the sustained decline in average daily attendance (ADA) has directly impacted state revenue allocations under the Foundation School Program. The District continues to implement strategies to strengthen student attendance, optimize staffing levels, and align campus resources with current and projected enrollment trends.

Contacting the District’s Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District’s finances and to demonstrate the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Services Department, 3819 Towne Crossing Blvd, Mesquite, Texas 75150.



BASIC FINANCIAL STATEMENTS

MESQUITE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
June 30, 2025

Exhibit A-1

Data Control Codes		Governmental Activities
	Assets	
1110	Cash and cash equivalents	\$ 165,886,994
1120	Current investments	81,064,287
1225	Property taxes receivables, net	6,475,596
1240	Due from other governments	34,405,954
1250	Accrued interest	424,778
1290	Other receivables, net	16,327,356
1300	Inventories	2,421,813
1410	Prepaid items	150
	Capital assets:	
1510	Land	20,394,923
1520	Buildings and improvements, net	913,729,010
1530	Furniture and equipment, net	80,717,081
1550	Right to use assets, net	3,899,532
1580	Construction in progress	11,044,296
1000	Total Assets	1,336,791,770
	Deferred Outflows of Resources	
	Deferred charge on refunding	25,000,125
	Deferred outflows - pensions	48,136,922
	Deferred outflows - OPEB	71,404,867
1700	Total Deferred Outflows of Resources	144,541,914
	Liabilities	
2110	Accounts payable	11,185,743
2120	Short term debt payable	1,695,209
2140	Interest payable	10,405,824
2150	Payroll deductions and withholdings	5,102,718
2160	Accrued wages payable	24,380,830
2180	Due to other governments	2,845
2200	Accrued expenses	8,361,639
2300	Unearned revenue	562,389
2400	Retainage Payable	449,789
	Noncurrent Liabilities:	
2501	Due within one year	28,318,968
2502	Due in more than one year	717,054,081
2540	Net pension liability	156,112,616
2545	Net post-employment benefit (OPEB) obligation	103,079,022
2000	Total Liabilities	1,066,711,673
	Deferred Inflows of Resources	
2600	Deferred inflows - leases	13,968,043
2605	Deferred inflows - pensions	20,004,852
2606	Deferred inflows - OPEB	104,988,344
2600	Total Deferred Inflows of Resources	138,961,239
	Net Position	
3200	Net investment in capital assets	330,621,869
	Restricted for:	
3820	Federal and state programs	9,304,480
3850	Debt service	77,507,464
3900	Unrestricted	(141,773,041)
3000	Total Net Position	\$ 275,660,772

MESQUITE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2025

Exhibit B-1

Data Control Codes	Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Operating Grants and Contributions	
	Governmental Activities:				
11	Instruction	\$ 324,146,868	\$ 3,073,571	\$ 25,204,425	\$ (295,868,872)
12	Instructional resources and media services	7,854,394	-	78,082	(7,776,312)
13	Curriculum and staff development	7,798,503	6,346	3,293,760	(4,498,397)
21	Instructional leadership	12,498,006	65,208	1,104,587	(11,328,211)
23	School leadership	27,576,763	-	581,328	(26,995,435)
31	Guidance, counseling, and evaluation services	27,294,562	95,704	6,283,927	(20,914,931)
32	Social work services	1,205,397	-	1,008,288	(197,109)
33	Health services	6,030,154	-	2,489,576	(3,540,578)
34	Student transportation	11,446,555	-	437,342	(11,009,213)
35	Food service	28,722,768	555,492	26,671,932	(1,495,344)
36	Extracurricular activities	13,315,579	4,324,544	107,536	(8,883,499)
41	General administration	14,972,701	-	3,652,887	(11,319,814)
51	Plant, maintenance and operations	48,925,648	689,379	251,209	(47,985,060)
52	Security and monitoring services	8,417,286	-	1,031,682	(7,385,604)
53	Data processing services	16,864,113	-	76,416	(16,787,697)
61	Community services	2,293,616	-	1,351,620	(941,996)
72	Interest and fiscal charges for long term debt	23,778,492	-	-	(23,778,492)
73	Debt issuance costs and fees	-	-	-	-
81	Facilities planning	-	-	6,366	6,366
95	Payments to Juvenile Justice Alternative Education Programs	12,918	-	-	(12,918)
99	Other governmental charges for tax collection	507,354	-	-	(507,354)
TG	Total Governmental Activities	\$ 583,661,677	\$ 8,810,244	\$ 73,630,963	(501,220,470)
General Revenues					
Taxes:					
MT	Property taxes, levied for general purposes				97,003,730
DT	Property taxes, levied for debt service				55,648,669
SF	State-aid formula grants				304,808,942
IE	Investment earnings				11,170,302
MI	Miscellaneous				6,701,616
SI	Gain on sale of capital asset				226,952
TR	Total General Revenues				475,560,211
CN	Change in net position				(25,660,259)
NB	Net Position - Beginning, as Previously Reported				304,379,419
PA	Restatement for changes in accounting principles				(3,058,388)
	Net Position - Beginning, as Restated				301,321,031
NE	Net Position - Ending				\$ 275,660,772

MESQUITE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2025

Exhibit C-1
Page 1 of 2

Data Control Codes		National School		
		General Fund	Breakfast & Lunch Program	FCC License
Assets				
1110	Cash and temporary investments	\$ 83,797,453	\$ 3,488,256	\$ 1,755,417
1120	Investments	34,998,085	3,952,985	-
Receivables:				
1220	Property taxes - delinquent	5,919,131	-	-
1230	Allowance for uncollectible taxes (credit)	(1,680,717)	-	-
1240	Receivables from other governments	26,038,841	3,041,745	-
1250	Accrued interest	163,680	7,910	-
1260	Due from other funds	8,445,572	-	-
1290	Other receivables	540,202	-	15,094,036
1300	Inventories	1,538,347	883,466	-
1410	Prepaid items	150	-	-
1000	Total Assets	\$ 159,760,744	\$ 11,374,362	\$ 16,849,453
Liabilities, Deferred Inflows of Resources, and Fund Balances				
Liabilities				
2110	Accounts payable	\$ 6,031,420	\$ 326,201	\$ 106,300
2120	Other liabilities	48,738	-	-
2150	Payroll deduction and withholdings	5,102,718	-	-
2160	Accrued wages payable	21,871,049	599,795	750
2170	Due to other funds	-	490,326	-
2180	Payable to other governments	-	-	-
2200	Accrued expenditures	-	-	-
2300	Unearned revenue	-	3,802	-
2400	Retainage payable	-	-	-
2000	Total Liabilities	33,053,925	1,420,124	107,050
Deferred Inflows of Resources				
	Unavailable revenues - property taxes	4,238,414	-	-
	Unavailable revenues - leases	62,672	-	13,905,371
2600	Total Deferred Inflows of Resources	4,301,086	-	13,905,371
Fund Balances				
Non-Spendable:				
3410	Inventories	1,538,347	883,466	
3430	Prepaid items	150	-	-
Restricted:				
3450	Federal/State funds grant restrictions	-	9,070,772	-
3470	Capital acquisitions and contractual obligations	-	-	-
3480	Debt service	-	-	-
Committed:				
3545	Other purposes	-	-	2,837,032
Assigned:				
3550	Construction	-	-	-
3570	Capital expenditures for equipment	-	-	-
3580	Self-insurance	8,000,000	-	-
3590	Other purposes	7,500,000	-	-
3600	Unassigned	105,367,236	-	-
3000	Total Fund Balances	122,405,733	9,954,238	2,837,032
4000	Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 159,760,744	\$ 11,374,362	\$ 16,849,453

MESQUITE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2025

Exhibit C-1
Page 2 of 2

Data Control Codes		Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
1110	Cash and temporary investments	\$ 48,866,306	\$ 13,462,897	\$ 7,593,727	\$ 158,964,056
1120	Investments	37,171,986	-	-	76,123,056
	Receivables:				
1220	Property taxes - delinquent	2,920,313	-	-	8,839,444
1230	Allowance for uncollectible taxes (credit)	(683,131)	-	-	(2,363,848)
1240	Receivables from other governments	-	-	5,325,368	34,405,954
1250	Accrued interest	243,301	-	-	414,891
1260	Due from other funds	-	-	-	8,445,572
1290	Other receivables	67,401	-	42,727	15,744,366
1300	Inventories	-	-	-	2,421,813
1410	Prepaid items	-	-	-	150
1000	Total Assets	\$ 88,586,176	\$ 13,462,897	\$ 12,961,822	\$ 302,995,454
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
2110	Accounts payable	\$ -	\$ 3,049,237	\$ 585,217	\$ 10,098,375
2120	Other liabilities	-	884,550	1,000	934,288
2150	Payroll deduction and withholdings	-	-	-	5,102,718
2160	Accrued wages payable	-	-	1,909,236	24,380,830
2170	Due to other funds	-	1,849,695	4,147,534	6,487,555
2180	Payable to other governments	-	-	2,845	2,845
2200	Accrued expenditures	114,412	-	-	114,412
2300	Unearned revenue	558,476	-	111	562,389
2400	Retainage payable	-	449,789	-	449,789
2000	Total Liabilities	672,888	6,233,271	6,645,943	48,133,201
Deferred Inflows of Resources					
	Unavailable revenues - property taxes	2,237,182	-	-	6,475,596
	Unavailable revenues - leases	-	-	-	13,968,043
2600	Total Deferred Inflows of Resources	2,237,182	-	-	20,443,639
Fund Balances					
Non-Spendable:					
3410	Inventories	-	-	-	2,421,813
3430	Prepaid items	-	-	-	150
Restricted:					
3450	Federal/State funds grant restrictions	-	-	233,708	9,304,480
3470	Capital acquisitions and contractual obligations	-	2,569,927	-	2,569,927
3480	Debt service	85,676,106	-	-	85,676,106
Committed:					
3545	Other purposes	-	-	6,082,171	8,919,203
Assigned:					
3550	Construction	-	4,163,412	-	4,163,412
3570	Capital expenditures for equipment	-	496,287	-	496,287
3580	Self-insurance	-	-	-	8,000,000
3590	Other purposes	-	-	-	7,500,000
3600	Unassigned	-	-	-	105,367,236
3000	Total Fund Balances	85,676,106	7,229,626	6,315,879	234,418,614
4000	Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 88,586,176	\$ 13,462,897	\$ 12,961,822	\$ 302,995,454



MESQUITE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF BALANCE SHEET FOR GOVERNMENTAL FUNDS TO
STATEMENT OF NET POSITION
June 30, 2025

Exhibit C-1R

Data Control Codes		
	Total Fund Balance, Governmental Funds	\$ 234,418,614
1	The District uses internal service funds to charge the costs of certain activities, such as self-insurance, print shop, health insurance, and workers compensation, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	412,556
2	Capital assets (net) used in governmental activities are not financial resources and therefore are not reported in governmental fund financial statements.	1,029,775,799
3	Bonds payable have not been included in the governmental fund financial statements.	(655,349,281)
4	Accreted interest for capital appreciation bonds have not been included in the governmental fund financial statements.	(13,465,830)
5	Property taxes receivable have been levied and are due this year, but are not available soon enough to pay for the current period's expenditures, these property taxes and related penalty and interest amounts (net of allowance for uncollectible accounts).	6,475,596
6	Unused leave is accrued in the district- wide financial statements, whereas in the fund financial statements, an expenditure for unused leave is reported when due.	(5,174,194)
7	Interest is accrued on outstanding debt in the district- wide financial statements, whereas in the fund financial statements, an interest expenditure is reported when due.	(10,405,824)
8	Premium on the issuance of bonds reported as net other financing sources on the fund financial statements is capitalized and amortized in the district- wide financial statements.	(70,750,304)
9	For debt refundings, the difference between the acquisition price and the net carrying amount of the debt has been deferred and amortized in the district- wide financial statements.	25,000,125
10	Included in the items related to debt is the recognition of the District's proportionate share of the TRS net pension liability (\$156,112,616) and a deferred inflow of resources (\$20,004,852), and a deferred outflow of resources (\$48,136,922). The result is a decrease in net position.	(127,980,546)
11	Included in the items related to debt is the recognition of the District's proportionate share of the TRS net OPEB liability (\$103,079,022) and a deferred inflow of resources (\$104,988,344) , and a deferred outflow of resources (\$71,404,867). The result is a decrease in net position.	(136,662,499)
12	Lease and SBITA liabilities	(633,440)
29	Total Net Position - Governmental Activities	\$ 275,660,772

MESQUITE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – GOVERNMENTAL FUNDS
For the Year Ended June 30, 2025

Exhibit C-2

Page 1 of 2

Data Control Codes		National School		
		General Fund	Breakfast & Lunch Program	FCC License
	Revenues			
5700	Local, intermediate, and out-of-state	\$ 110,772,345	\$ 958,393	\$ 893,146
5800	State program revenues	316,160,802	113,586	-
5900	Federal program revenues	6,943,481	26,173,613	-
5020	Total Revenues	433,876,628	27,245,592	893,146
	Expenditures			
	Current:			
0011	Instruction	270,546,178	-	522
0012	Instruction resources and media services	6,893,206	-	-
0013	Curriculum and instructional staff development	4,346,067	-	-
0021	Instructional leadership	10,578,704	-	-
0023	School leadership	24,726,113	-	190,000
0031	Guidance, counseling and evaluation services	19,114,002	-	357,500
0032	Social work services	237,522	-	-
0033	Health services	5,569,382	-	-
0034	Student transportation	10,691,090	-	-
0035	Food services	1,469,617	27,340,670	-
0036	Extracurricular activities	10,768,169	-	7,960
0041	General administration	12,699,089	-	148,500
0051	Facilities maintenance and operations	46,872,446	371,672	-
0052	Security and monitoring services	6,541,240	-	-
0053	Data processing services	15,366,159	-	-
0061	Community services	364,876	-	97,483
	Debt Service:			
0071	Principal on long-term debt	1,325,197	-	-
0072	Interest on long-term debt	45,788	-	-
0073	Debt issuance costs and fees	-	-	-
	Capital Outlay:			
0081	Facilities acquisition and construction	115,912	-	-
	Intergovernmental:			
0095	Payments to Juvenile Justice Alt. Ed. Prgm.	12,918	-	-
0099	Other intergovernmental charges	507,354	-	-
6030	Total Expenditures	448,791,029	27,712,342	801,965
1100	Excess (deficiency) of revenues over expenditures	(14,914,401)	(466,750)	91,181
	Other Financing Sources (Uses)			
7912	Sale of real or personal property	226,952	-	-
7915	Transfers in	2,667,477	-	-
7949	Issuance of debt - SBITA	486,289	-	-
8911	Transfers out	(1,703,578)	-	-
7080	Total Other Financing Sources (Uses)	1,677,140	-	-
1200	Net change in fund balances	(13,237,261)	(466,750)	91,181
0100	Fund Balance - July 1 (Beginning)	135,642,994	10,420,988	2,745,851
3000	Fund Balance - June 30 (Ending)	\$ 122,405,733	\$ 9,954,238	\$ 2,837,032

MESQUITE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – GOVERNMENTAL FUNDS
For the Year Ended June 30, 2025

Exhibit C-2

Page 2 of 2

Data Control Codes		Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
5700	Local, intermediate, and out-of-state	\$ 59,048,722	\$ 1,428,304	\$ 7,822,263	\$ 180,923,173
5800	State program revenues	9,148,927	-	10,216,091	335,639,406
5900	Federal program revenues	-	-	29,059,333	62,176,427
5020	Total Revenues	68,197,649	1,428,304	47,097,687	578,739,006
Expenditures					
Current:					
0011	Instruction	-	62,085	29,741,527	300,350,312
0012	Instruction resources and media services	-	161,562	342,484	7,397,252
0013	Curriculum and instructional staff development	-	-	3,200,049	7,546,116
0021	Instructional leadership	-	754	1,011,044	11,590,502
0023	School leadership	-	-	404,575	25,320,688
0031	Guidance, counseling and evaluation services	-	502	5,964,421	25,436,425
0032	Social work services	-	-	974,707	1,212,229
0033	Health services	-	-	103	5,569,485
0034	Student transportation	-	2,154,636	174,335	13,020,061
0035	Food services	-	328,996	11,022	29,150,305
0036	Extracurricular activities	-	51,901	2,053,642	12,881,672
0041	General administration	-	1,227,959	13,347	14,088,895
0051	Facilities maintenance and operations	-	2,275,134	18,807	49,538,059
0052	Security and monitoring services	-	607,106	1,011,577	8,159,923
0053	Data processing services	-	1,264,151	26,749	16,657,059
0061	Community services	-	-	1,626,435	2,088,794
Debt Service:					
0071	Principal on long-term debt	25,517,097	113,038	3,590,232	30,545,564
0072	Interest on long-term debt	28,870,118	-	16,161	28,932,067
0073	Debt issuance costs and fees	32,525	-	-	32,525
Capital Outlay:					
0081	Facilities acquisition and construction	-	15,599,382	-	15,715,294
Intergovernmental:					
0095	Payments to Juvenile Justice Alt. Ed. Prgm.	-	-	-	12,918
0099	Other intergovernmental charges	-	-	-	507,354
6030	Total Expenditures	54,419,740	23,847,206	50,181,217	605,753,499
1100	Excess (deficiency) of revenues over expenditures	13,777,909	(22,418,902)	(3,083,530)	(27,014,493)
Other Financing Sources (Uses)					
7912	Sale of real or personal property	-	-	-	226,952
7915	Transfers in	-	20,111,292	730,772	23,509,541
7949	Issuance of debt - SBITA	-	302,271	3,590,232	4,378,792
8911	Transfers out	-	(22,778,769)	-	(24,482,347)
7080	Total Other Financing Sources (Uses)	-	(2,365,206)	4,321,004	3,632,938
1200	Net change in fund balances	13,777,909	(24,784,108)	1,237,474	(23,381,555)
0100	Fund Balance - July 1 (Beginning)	71,898,197	32,013,734	5,078,405	257,800,169
3000	Fund Balance - June 30 (Ending)	\$ 85,676,106	\$ 7,229,626	\$ 6,315,879	\$ 234,418,614

MESQUITE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2025

Exhibit C-2R

<u>Data Control Codes</u>		
	Net Change in Fund Balances - Total Governmental Funds (see C-2)	\$ (23,381,555)
1	The District uses internal service funds to charge the costs of self-insurance, print shop, health insurance, and workers compensation to appropriate functions in other funds. The change in net position of internal service funds, including transfers in of \$972,806, is reported as governmental activities.	(9,250,854)
2	Current year capital outlays are expenditures in the governmental fund financial statements, but they are shown as an increase in capital assets in the district- wide financial statements.	28,680,046
3	Depreciation and amortization is not recognized as an expense in governmental funds since it does not require the use of current financial resources.	(53,544,004)
4	Revenue from property taxes is deferred in the governmental fund financial statements until they are considered available to finance current expenditures, but such revenues are recognized when assessed net of an allowance for uncollectible accounts in the district- wide statements. This amount represents the current year change in deferred property taxes.	(1,588,612)
	Proceeds from issuance of long-term debt is reported as an other financing source in the governmental funds. In the government-wide financial statements, proceeds are treated as an increase in long-term liabilities and amounts paid to refunding agents are treated as a decrease in long-term liabilities.	
5	Issuance of debt related to SBITAs	(4,378,792)
	Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:	
6	Current year long-term debt principal payments on bonds payable are expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements.	25,517,097
7	Current year long-term debt principal payments on lease payable are expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements.	983,750
8	Current year principal payments on SBITAs are expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements.	4,044,717
9	Current year change in the accretion on capital appreciation bonds is not reflected in the governmental fund financial statements, but is shown as a decrease in accreted interest on the government-wide financial statements.	965,786
10	Interest is accrued on outstanding debt in the government-wide financial statements whereas in the fund financial statements, interest expenditures are reported when due.	826,474
11	Amortization of deferred charges on bond refundings is not recognized in the governmental funds. The effect of recording current year's amortization is to decrease net position.	(3,964,132)
12	Premiums on bonds issued are recognized in the fund financial statements as other financing sources but they are amortized over the term of the bonds in the government-wide financial statements.	7,357,972
13	The liability for accrued compensated absences is not recognized in the governmental funds. The effect of recording the current year's liability is decrease to net position.	(965,982)
14	Net change in net pension liability and the related deferred outflows and inflows.	(9,096,714)
15	Net change in net OPEB liability and the related deferred outflows and inflows.	12,134,544
	Change in Net Position of Governmental Activities (see B-1)	\$ (25,660,259)

MESQUITE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2025

Exhibit D-1

	Governmental Activities - Internal Service Funds
Assets	
Current Assets:	
Cash and cash equivalents	\$ 6,922,938
Temporary investments, at fair value	4,941,231
Receivables:	
Accrued interest receivable	9,887
Other receivables	582,990
Total Current Assets	<u>12,457,046</u>
Noncurrent Assets:	
Furniture and equipment, net	9,043
Total Noncurrent Assets	<u>9,043</u>
Total Assets	<u><u>\$ 12,466,089</u></u>
Liabilities	
Current Liabilities:	
Accounts payable	\$ 1,087,368
Other liabilities	760,921
Due to other funds	1,958,017
Accrued expenses	8,247,227
Total Liabilities	<u><u>\$ 12,053,533</u></u>
Net Position	
Net investment in capital assets	\$ 9,043
Unrestricted net position	403,513
Total Net Position	<u><u>\$ 412,556</u></u>

MESQUITE INDEPENDENT SCHOOL DISTRICT*Exhibit D-2***STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION****PROPRIETARY FUNDS****For the Year Ended June 30, 2025**

	Governmental Activities - Internal Service Funds
Operating Revenues	
Quasi-external interfund transactions	\$ 38,972,266
Total Operating Revenues	<u>38,972,266</u>
Operating Expenses	
Personnel services	1,640,815
Purchased and contracted services	1,868,429
Supplies and materials	278,828
Claims expense and other operating costs	45,966,551
Depreciation	3,403
Total Operating Expenses	<u>49,758,026</u>
Total Operating Loss	<u>(10,785,760)</u>
Non-Operating Revenues	
Investment earnings	562,100
Non-Operating Revenues	<u>562,100</u>
Income (Loss) before Transfers	(10,223,660)
Other Financing Sources	
Transfers in	972,806
Total Other Financing Sources	<u>972,806</u>
Change in net position	(9,250,854)
Net Position - July 1 (Beginning)	<u>9,663,410</u>
Net Position - June 30 (Ending)	<u>\$ 412,556</u>

MESQUITE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2025

Exhibit D-3

	Governmental Activities - Internal Service Funds
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities:	
Cash received from transactions with other funds	\$ 40,710,975
Cash payments to employees	(1,929,373)
Cash payments to suppliers for goods and services	(1,571,073)
Cash payments for insurance claims and other operating expenses	(43,406,201)
Net Cash Provided by (Used for) Operating Activities	(6,195,672)
Cash Flows from Non-Capital Financing Activities:	
Transfers in	972,806
Net Cash Provided by (Used for) Non-Capital Financing Activities	972,806
Cash Flows from Investing Activities:	
Purchases of investments	(4,951,118)
Interest on investments	562,100
Net Cash Provided by (Used for) Investing Activities	(4,389,018)
 Net Increase (Decrease) in Cash and Cash Equivalents	 (9,611,884)
Cash and Cash Equivalents at Beginning of Year	16,534,822
Cash and Cash Equivalents at End of Year	\$ 6,922,938
 Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:	
Operating loss	\$ (10,785,760)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:	
Depreciation expense	3,403
Decrease (increase) in interfund receivables	1,300,000
Decrease (increase) in other receivables	(549,183)
Decrease (increase) in inventories	141,730
Decrease (increase) in other assets	442
Increase (decrease) in accounts payable	983,420
Increase (decrease) in other liabilities	(286,425)
Increase (decrease) in wages payable	(2,133)
Increase (decrease) in interfund payables	438,709
Increase (decrease) in accrued expenses	2,560,125
Net Cash Provided by (Used for) Operating Activities	\$ (6,195,672)

MESQUITE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
Custodial Fund
June 30, 2025

Exhibit E-1

	Student Activity - Custodial Fund
Assets	
Current Assets:	
Cash and cash equivalents	\$ 842,524
Total Assets	<u>\$ 842,524</u>
Liabilities	
Current Liabilities:	
Accounts payable	\$ 14,921
Total Liabilities	<u>\$ 14,921</u>
Net Position	
Restricted for student activities	\$ 827,603
Total Net Position	<u>\$ 827,603</u>

MESQUITE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
Custodial Fund
For the Year Ended June 30, 2025

Exhibit E-2

	Student Activity - Custodial Fund
Additions	
Contributions from student groups	\$ 922,913
Total Additions	<u>922,913</u>
Deductions	
Professional and contracted services	154,648
Supplies and materials	133,217
Other operating costs	554,765
Total Deductions	<u>842,630</u>
Change in Net Position	80,283
Net Position, Beginning	<u>747,320</u>
Net Position, Ending	<u><u>\$ 827,603</u></u>



Note 1 - Summary of Significant Accounting Policies

The Mesquite Independent School District (the “District”) is an independent public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven-member Board of Trustees (the “Board”) elected by the registered voters of the District and has fiscal accountability over all activities within the jurisdiction of the District. 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 the Statement of Auditing Standards of the American Institute of Certified Public Accountants; and it complies with the requirements of the appropriate version of Texas Education Agency’s *Financial Accountability System Resource Guide* (the “Resource Guide”) and the requirements of contracts and grants of agencies from which it receives funds.

The following is a summary of the most significant accounting policies.

A. Reporting Entity

The District’s Board is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is considered an independent entity for financial reporting purposes and is considered a primary government as defined by GASB. As the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other, type of reporting entity.

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

The above standards were applied to the Mesquite Education Foundation, and the District determined that Mesquite Education Foundation does not meet the criteria of a component unit and will not be included in these financial statements.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* include programs supported primarily by taxes, charges to school districts for services, state funds, grants, and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function 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 students or users who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Note 1 - Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Financial Statements (continued)

Interfund activities between governmental funds and between governmental and proprietary funds appear as due to or due from on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other resources and other uses on the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position. All interfund transactions between governmental funds and between governmental and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to or due from on the government-wide Statement of Net Position.

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

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

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

The fiduciary fund financial statements reflect the District's custodial fund, reporting assets, liabilities, and net position. They utilize the accrual basis of accounting.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, deferred inflows of resources, and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available. However, debt service principal and interest expenditures on general long-term debt, including lease liabilities, as well as expenditures related to compensated absences, and claims and judgments, postemployment benefits and environmental obligations are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the District the right-to-use leased assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

Revenues from local sources consist primarily of property taxes and are recorded as revenue when received. The District considers property tax revenue available if they expect the revenue to be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. The District considers School Health and Related Services (SHARS) and State Aid revenues available if they are collectible within 90 days after the end of the fiscal year.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors may require the District to refund all or part of the unused amount.

Note 1 - Summary of Significant Accounting Policies (continued)

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

The District reports the following major governmental funds:

- *The General Fund* - The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.
- *National School Breakfast and Lunch Program Fund* – The District accounts for the expenditures and related revenues related to the operation of the child nutrition program.
- *FCC License Fund* – The District accounts for the expenditures and related revenues related to the leasing of its cell tower.
- *Debt Service Fund* - The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund. This is a budgeted fund and maintains a separate bank account.
- *Capital Projects Fund* - The proceeds from long-term debt financing and revenues and expenditures related to the acquisition, construction, or renovations as well as furnishing and equipping capital facilities are accounted for in this fund.

The District reports the following nonmajor governmental funds:

- *Special Revenue Funds* - These funds account for resources restricted to or committed for specific purposes by a grantor, or for resources that are committed for specific purposes by the Board. Most federal and some state financial assistance is accounted for in a special revenue fund and sometimes unused balances must be returned to the grantor at the close of specified project periods.

The District reports the following proprietary fund type:

- *Internal Service Funds* - These funds are used to account for financing of goods or services provided by one department to other departments of the District on a cost-reimbursement basis. The District's internal service funds are Print Shop, Health Insurance, Employee Health Center, and Worker's Compensation.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's internal service fund are charges to the funds and/or employees for self-funded health services. Operating expenses for the internal service fund include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Additionally, the District reports the following fiduciary fund:

- *Custodial Funds* - The District accounts for resources held for others in a custodial capacity and consists of funds that are property of students or others. The District's custodial funds are the Scholarship Fund, Faculty Sunshine Fund and Student Activity Account.

D. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, investment pools, and short-term investments with original maturities of one year or less from the date of acquisition.

Note 1 - Summary of Significant Accounting Policies (continued)

D. Deposits and Investments (continued)

For purposes of the statement of cash flows for proprietary funds, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased. Investments with an original maturity greater than one year from date of purchase are stated at fair value based on quoted market prices as of year-end, except for nonparticipating interest-earning investment contracts which are reported at cost. Investments with an original maturity of less than one year are reported at amortized cost.

The District categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement. The District participates in investment pools which are not subject to fair value measurement as presented in Note 2. The District's remaining investments are in U.S. Government and Federal Agency Obligations.

E. Receivables and Payables

Activity between funds that are 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."

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due 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 the property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. 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.

F. Inventories and Prepaid Items

Inventories of supplies on the balance sheet are stated at weighted average cost and they include consumable maintenance, instructional, office, athletic, and transportation items. Supplies are recorded as expenditures when they are consumed. Inventories of food commodities which are received at no cost are recorded as revenue at market value supplied by the Texas Department of Agriculture when received, and as expenditure when consumed. At year end, the commodities inventory is recorded to inventory. A portion of fund balance is classified as nonspendable to reflect minimum inventory quantities considered necessary for the District's continuing operations. If there is a constraint on how the eventual proceeds can be spent, the fund balance is classified to reflect that constraint (restricted, committed, or assigned), rather than included as part of nonspendable fund balance. Prepaid items are recorded using the consumption method and amounts and balances at the end of the fiscal year are included in the nonspendable fund balance category.

Note 1 - Summary of Significant Accounting Policies (continued)

G. Capital Assets

Capital assets, which include land, buildings, furniture and equipment, are reported in the applicable governmental activities column in the district-wide financial statements. Right-to-use-assets for leases and SBITAs are also included with capital assets. Capital assets are defined by the District as assets with an initial, individual cost or similar items purchased in one transaction of \$5,000 or more and an estimated useful life in excess of one year and are recorded at historical cost if purchased or constructed. Intangible right-to-use lease assets and SBITA assets of \$50,000 or more and a life in excess of one year are recorded at the present value of the respective liabilities. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements with total project costs are capitalized as they are constructed and accounted for as construction in progress. Aggregated purchases over \$200,000 or greater are also capitalized.

Buildings, and furniture, equipment, intangible property, right-to-use leased assets, and SBITAs of the District are depreciated/amortized using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	10 - 40
Building improvements	10 - 40
Furniture and equipment	5 - 10
Right-to-use leased assets	Lease term
Subscription-based information technology arrangements	Subscription term

H. Compensated Absences

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

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

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

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

Leave Policies Effective During the Current Fiscal Year

- State Personal Leave: Employees earn five (5) days per year. Leave accumulates without limit and is transferrable to other districts. This leave is eligible upon retirement if the following criteria are met:
 - Employee retires under TRS
 - Retirement is voluntary
 - Has five (5) years service prior to retirement
- State Sick Leave: No longer earned, but retained if accumulated prior to 1995. It is transferrable between districts and not eligible for payment at retirement or separation.
- Local Sick Leave: Salaried employees earn between three (3) and five (5) days per year. All other employees earned one (1) to five (5) days based on years of service. Local sick leave is eligible for payout at retirement.
- Vacation Leave: Employees with 260-day positions earn 10 days annually. Vacation leave must be used by December 31st. If an employee leaves voluntarily prior to December 31st, vacation leave is eligible for payout.

Note 1 - Summary of Significant Accounting Policies (continued)

H. Compensated Absences (continued)

Liability Measurement

The District applied a Last-In, First-Out (LIFO) flow assumption in determining the liability for leave expected to be used as time off. Based on data from the past three years, the percentage of leave MLTN to be used as time off is zero. Therefore, the liability is calculated based solely on amounts due at retirement or separation, in accordance with policy limits. Payroll-related costs have been added to the liability for fiscal years 2024 and 2025.

See Note 7 for the compensated absences balances as of fiscal years 2024 and 2025.

Note 18 describes the impact to beginning net position resulting from the implementation of GASB Statement No. 101.

I. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type Statement of Net Position. Premiums and discounts are presented as a component of liabilities while deferred charges on refundings are presented as deferred outflows of resources. Both items are deferred and amortized over the life of the related debt using the straight-line method. Long-term debt is reported net of the applicable premium or discount.

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

J. Deferred Outflows/Inflows of Resources

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

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

- *Deferred charge on refunding* - Reported in the government-wide statement of net position, this deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- *Deferred outflows relating to pension activities* – Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability as well as from 1) changes in actuarial assumptions; 2) differences between expected and actual actuarial experiences and 3) changes in the District's proportional share of pension liabilities. The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The remaining pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.

Note 1 - Summary of Significant Accounting Policies (continued)

J. Deferred Outflows/Inflows of Resources (continued)

- *Deferred outflows of resources for other post-employment benefits (OPEB)* – Reported in the government wide financial statement of net position, this deferred outflow results from contributions made after the measurement date of the net OPEB liability and the results of 1) differences between projected and actual earnings on OPEB plan investments and 2) changes in the District's proportional share of OPEB liabilities. The deferred outflows of resources related to post-employment benefits resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the next fiscal year. The deferred outflows resulting from differences between projected and actual earnings on OPEB plan investments will be amortized over a closed five-year period. The remaining deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with other post-employment benefits through the other post-employment benefit plan.

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

- *Deferred inflows of resources for unavailable revenues* - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes and leases arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The deferred inflows of resources for leases will also be reported in the government-wide financial statements.
- *Deferred inflows relating to pension activities* – Reported in the government-wide financial statement of net position, these deferred inflows result primarily from 1) differences between projected and actual earnings on pension plan investments; 2) changes in actuarial assumptions; 3) differences between expected and actual actuarial experiences and 4) changes in the District's proportional share of pension liabilities. The deferred inflows resulting from differences between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The remaining pension related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.
- *Deferred inflows of resources for post-employment benefits* – Reported in the government wide financial statement of net position, these deferred inflows result primarily from 1) changes in actuarial assumptions and 2) differences between expected and actual actuarial experiences. This post-employment related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with post-employment benefits through the post-employment benefit plan.

K. Leases

Lessee: The District is a lessee for a noncancellable lease of equipment. The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of \$50,000 or more.

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

Note 1 - Summary of Significant Accounting Policies (continued)

K. Leases (continued)

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

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

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

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

Lessor: The District is a lessor for a noncancellable lease of a building and cell tower. The District recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

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

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

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

L. Pensions

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

Note 1 - Summary of Significant Accounting Policies (continued)

M. Other Post-Employment Benefits (OPEB)

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

N. Net Position and Fund Balance

Net Position on the Statement of Net Position includes the following:

- *Net investment in capital assets* - this component of net position consists of capital assets, net accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt will be included in this component of net position.
- *Restricted for federal and state programs* - this component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets, which are restricted by federal and state granting agencies.
- *Restricted for Debt Service* - this component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. The assets arise from bond issuances which have constraints placed on them by the bond covenants for the purpose of future debt service payments.
- *Unrestricted net position* - this component of net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

The fund balance in governmental funds has been classified as follows to describe the nature and relative strength of the spending constraints:

- *Nonspendable fund balance* - Represents amounts that are not in spendable form, such as inventory and prepaid items, or are required to be maintained intact.
- *Restricted fund balance* - Represents amounts constrained to specific purposes by their providers, such as grantors, bondholders, and higher levels of government, through constitutional provisions, or by enabling legislation.
- *Committed fund balance* - Represents amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority, i.e., Board of Trustees. To be reported as committed, amounts cannot be used for any other purpose unless the District's Board of Trustees approves the changes by Board Resolution. Fund balance committed in the nonmajor governmental funds during the current fiscal year is committed for campus activities; fund balance committed in the general fund during the current fiscal year is committed for construction and claims and judgments.
- *Assigned fund balance* - Represents amounts the District intends to use for a specific purpose.

Note 1 - Summary of Significant Accounting Policies (continued)

N. Net Position and Fund Balance (continued)

- *Unassigned fund balance* - Represents amounts that are available for any purpose. Positive amounts are reported only in the general fund.

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

In the fund financial statements, certain governmental funds report restrictions of the entire fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Since the entire fund balance is restricted for these funds, all assets are in essence restricted for their specified purpose.

When the District incurs an expense for which it may use either restricted or unrestricted resources, it uses the restricted resources first unless unrestricted resources will have to be returned because they were not used.

Since Internal Service Funds support the operations of governmental funds, they are consolidated with the governmental funds in the government-wide financial statements. The expenditures of governmental funds that create the revenues of internal service funds are eliminated to avoid "grossing up" the revenues and expenses of the District as a whole.

The District sponsors self-insured plans to provide health care benefits to employees and their dependents, and workers' compensation benefits to employees. Revenues of these Internal Service Funds are received from both the District's governmental and proprietary funds and premiums charged to employees. Expenses are comprised of claims incurred during the fiscal year, professional and contracted services and other miscellaneous expenses.

The General Fund is contingently liable for liabilities of these funds.

O. Data Control Codes

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

In accordance with the Resource Guide, the District has adopted and installed an accounting system which meets at least the minimum requirements prescribed by the Texas State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure presented in the Resource Guide. Mandatory codes are recorded in the order provided in the Resource Guide.

P. Use of Estimates

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

Note 1 - Summary of Significant Accounting Policies (continued)

Q. Subscription-Based Information Technology Arrangements (SBITAs)

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

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

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

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

R. Implementation of New Standards

GASB issued Statement No. 101, *Compensated Absences*, was issued in June 2022. The primary objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The requirements of this statement were implemented in 2025 and the impact is reflected in the financial statements. See Note 6 and Note 18 for more information.

GASB issued Statement No. 102, *Certain Risk Disclosures*, in December 2023. The primary objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. The requirements of this statement have been evaluated and the District has no concentration/constraints that would qualify disclosure.

Note 2 - Deposits and Investments

Cash Deposits: The funds of the District must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At June 30, 2025, the carrying amount of the District's cash deposits (cash and interest-bearing accounts) was \$65,385 and the bank balance was \$1,031,654. The District's cash deposits at June 30, 2025, were entirely covered by FDIC Insurance or by pledged collateral held by the District's agent bank in the District's name.

Investments: The District's investment policy is in accordance with the Public Funds Investment Act (Government Code Chapter 2256). Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers' acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds.

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

	Fair Value/ Amortized Cost	Short-Term (<1 year)	Weighted Average Maturity	Credit Rating
Governmental Activities				
Cash and deposits	\$ 65,385	\$ 65,385	N/A	N/A
Cash Equivalents				
<i>Local Government Investment Pools</i>				
Lone Star - Government Overnight	1,409,019	1,409,019	28	AAAm
Lone Star - Corporate Overnight	45,675,598	45,675,598	32	AAAm
TexSTAR	74,017,995	74,017,995	45	AAAm
TexPool	37,101,869	37,101,869	38	AAAm
Texas CLASS	7,617,128	7,617,128	37	AAAm
Total Cash Equivalents	<u>165,821,609</u>	<u>165,821,609</u>		
Investment Securities				
U.S. Government Treasury Bill	11,910,330	11,910,330	25	A-1+
U.S. Government Treasury Notes	29,972,069	29,972,069	128	AA+
Federal Home Loan Bank	10,017,450	10,017,450	165	AA+
Federal National Mortgage Association	19,187,318	19,187,318	298	AA+
Federal Home Loan Mortgage	9,977,120	9,977,120	21	AA+
Total Investments	<u>81,064,287</u>	<u>81,064,287</u>		
Total Governmental Activities	<u>246,951,281</u>	<u>246,951,281</u>		
Fiduciary Funds				
<i>Local Government Investment Pools</i>				
TexPool	842,524	842,524	38	AAAm
Total Fiduciary Funds	<u>842,524</u>	<u>842,524</u>		
Total	<u>\$ 247,793,805</u>	<u>\$ 247,793,805</u>		

Note 2 - Deposits and Investments (continued)

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

The District participates in investment pools which are not subject to fair value measurement as presented in the table below. The District's investments are in U.S. Government Bill and Notes, and Federal Agency Obligations. The District's cash equivalents and investment balances are measured as follows:

Cash Equivalent/ Investment Type	June 30, 2025	Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
		(Level 1)	(Level 2)	(Level 3)
Measured at Amortized Cost:				
Investment Pools:				
Lone Star	\$ 47,084,617	\$ 47,084,617	\$ -	\$ -
TexSTAR	74,860,519	74,860,519	-	-
TexPool	37,101,869	37,101,869	-	-
Texas CLASS	7,617,128	7,617,128	-	-
Measured at Fair Value Level:				
U.S. Government Treasury Bill	11,910,330	11,910,330	-	-
U.S. Government Treasury Notes	29,972,069	29,972,069	-	-
Federal Home Loan Bank	10,017,450	10,017,450	-	-
Federal National Mortgage Association	19,187,318	19,187,318	-	-
Federal Home Loan Mortgage	9,977,120	9,977,120	-	-
Total Value	\$ 247,728,420	\$ 247,728,420	\$ -	\$ -

Credit Risk: To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations, the District limits investments in commercial paper, corporate bonds, mutual bond funds, public funds investment pools to those that have received top ratings issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2025, the District's investments in Texas Pool, TexSTAR, Texas CLASS, and Lonestar were rated AAAM by Standard & Poor's. The District's investments in securities were rated A-1+ and AA+ by Standard & Poor's. In addition, for long-term investments, to limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations, the District requires full collateralization with direct or unconditionally guaranteed obligations of the United States Government or Agency on the long-term investment it currently holds. As of June 30, 2025 the District held no long-term investments.

Custodial Credit Risk: State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The District's policy regarding deposits is in accordance with this law.

Concentration of Credit Risk: For temporary investments, to limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District's policy states that the portfolio must be diversified. Concentration of Credit Risk is not applicable to investment pools since the purpose of these pools is to diversify the District's investment portfolio. For long-term investments – to limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District's policy states that the portfolio must be diversified.

Note 3 - Receivables

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

	General Fund	National School Breakfast & Lunch Program	FCC License	Debt Service Fund	Nonmajor Governmental Funds	Internal Service Funds	Total Governmental Activities
Property taxes	\$ 5,919,131	\$ -	\$ -	\$ 2,920,313	\$ -	\$ -	\$ 8,839,444
Due from other governments	26,038,841	3,041,745	-	-	5,325,368	-	34,405,954
Accrued interest	163,680	7,910	-	243,301	-	9,887	424,778
Lease receivable	-	-	15,094,036	-	-	-	15,094,036
Other receivables	540,202	-	-	67,401	42,727	582,990	1,233,320
Gross Receivables	32,661,854	3,049,655	15,094,036	3,231,015	5,368,095	592,877	59,997,532
Less allowance for doubtful accounts	(1,680,717)	-	-	(683,131)	-	-	(2,363,848)
Net Total Receivables	\$ 30,981,137	\$ 3,049,655	\$ 15,094,036	\$ 2,547,884	\$ 5,368,095	\$ 592,877	\$ 57,633,684

Note 4 - Interfund Receivables, Payables, and Transfers

Interfund balances consist of short-term lending/borrowing arrangements that result from normal operations and are cleared out periodically. Additionally, some lending/borrowing may occur between two or more governmental funds and internal service funds. The composition of interfund balances as of June 30, 2025, is as follows:

	Interfund Receivable	Interfund Payable	Net
Governmental Activities			
General Fund	\$ 8,445,572	\$ -	\$ 8,445,572
National School Breakfast & Lunch Program	-	490,326	(490,326)
Capital Projects Fund	-	1,849,695	(1,849,695)
Nonmajor Governmental Funds	-	4,147,534	(4,147,534)
Internal Service Funds	-	1,958,017	(1,958,017)
Total Governmental Activities	\$ 8,445,572	\$ 8,445,572	\$ -

Interfund transfers are defined as “flows of assets without equivalent flow of assets in return and without a requirement for repayment”. Transfers generally fall into two categories: (1) transfers to fund construction projects in the capital projects fund that are not bond funded; and (2) transfers to cover operating expenditures/deficits in accordance with District policy or legal requirements. The following is a summary of the District’s transfers for the fiscal year ended June 30, 2025:

Transfers Out	Transfer In	Amount	Reason for transfer
General Fund	Nonmajor Fund	\$ 730,772	Funding of the Regional Day School for the Deaf deficit
General Fund	Internal Service Fund	508,905	Funding of Print Shop deficit
General Fund	Internal Service Fund	463,901	Funding of Mesquite ISD's Employee Health Center deficit
Capital Projects	Capital Projects	20,111,292	Reimbursement of Local Capital Projects Funds (funded by the General Fund) for 2015 Bond-eligible projects to minimize arbitrage
Capital Projects	General Fund	2,000,000	Reimbursement to the General Fund for unused Local Capital Project allocations for school bus purchases
Capital Projects	General Fund	667,477	Reimbursement to the General Fund for unused Local Capital Project allocations for technology projects
		<u>\$ 24,482,347</u>	

MESQUITE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS (continued)

Exhibit F-1

Note 5 - Capital Assets

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

	Balance July 1, 2024	Additions	(Retirements) and Transfers	Balance June 30, 2025
Governmental Capital Assets				
Capital Assets, Not Being Depreciated/Amortized:				
Land	\$ 20,394,923	\$ -	\$ -	\$ 20,394,923
Construction in progress	123,440,808	17,411,544	(129,808,056)	11,044,296
Total Capital Assets, Not Being Depreciated/Amortized	143,835,731	17,411,544	(129,808,056)	31,439,219
Capital Assets, Being Depreciated:				
Buildings and improvements	1,242,946,996	-	129,590,108	1,372,537,104
Furniture and equipment	249,897,264	6,858,210	(8,075,921)	248,679,553
Right-to-use leased asset:				
Equipment	3,464,267	-	(3,464,267)	-
Right-to-use SBITA asset	1,567,623	4,410,292	(390,280)	5,587,635
Total Capital Assets, Being Depreciated/Amortized	1,497,876,150	11,268,502	117,659,640	1,626,804,292
Less Accumulated Depreciation/Amortization for:				
Buildings and improvements	(426,334,281)	(32,691,761)	217,948	(458,808,094)
Furniture and equipment	(157,548,842)	(18,489,551)	8,075,921	(167,962,472)
Right-to-use leased asset:				
Equipment	(2,598,201)	(866,066)	3,464,267	-
Right-to-use SBITA asset	(578,354)	(1,500,029)	390,280	(1,688,103)
Total Accumulated Depreciation/Amortization	(587,059,678)	(53,547,407)	12,148,416	(628,458,669)
Total Governmental Capital Assets, Net	\$ 1,054,652,203	\$ (24,867,361)	\$ -	\$ 1,029,784,842

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

Function	Depreciation/ Amortization Expense
Governmental Activities:	
Instruction	\$ 35,913,184
Instructional resources and media services	741,358
Curriculum and staff development	543,316
Instructional leadership	1,228,654
School leadership	2,758,482
Guidance, counseling and evaluation services	2,741,739
Social work services	105,204
Health services	599,586
Student transportation	676,380
Food Services	1,370,247
Extracurricular activities	590,366
General administration	1,381,777
Plant maintenance and operations	3,144,449
Security and monitoring services	391,689
Data processing services	1,066,288
Community services	294,688
Total Governmental Activities	\$ 53,547,407

Note 5 - Capital Assets (continued)

Construction Commitments

The District has active construction projects as of June 30, 2025, including renovations and site improvements. All accumulated resources for capital projects are either restricted, committed, or assigned. At June 30, 2025, the District's remaining project balances are as follows:

Project	Approved Construction Budget	Construction in Progress	Remaining Commitment
Gentry Addition/Renovation	\$ 13,161,500	\$ 10,282,578	\$ 2,878,922
North Mesquite Addition/Renovation	60,320,942	761,718	59,559,224
	<u>\$ 73,482,442</u>	<u>\$ 11,044,296</u>	<u>\$ 62,438,146</u>

The District's net investment in capital assets as of June 30, 2025 is calculated as follows:

Capital assets, net	\$ 1,029,784,842
Bonds payable	(655,349,281)
Unamortized premium	(70,750,304)
SBITA liability	(633,440)
Deferred loss on refunding	25,000,125
Unused bond proceeds, net of construction related liabilities	2,569,927
Net Investment in Capital Assets	<u><u>\$ 330,621,869</u></u>

Note 6 - Compensated Absences and Other Retirement/Sick Leave Benefits

The balance of compensated absences at June 30, 2025 amounted to \$5,174,194 and is presented as other long-term liabilities in the financial statements.

	Restated Beginning Balance July 01, 2024	Net Change	Ending Balance June 30, 2025	Due in One Year
Compensated absences	\$ 4,208,212	\$ 965,982	\$ 5,174,194	\$ 592,933
Total Compensated Absences Liability	<u>\$ 4,208,212</u>	<u>\$ 965,982</u>	<u>\$ 5,174,194</u>	<u>\$ 592,933</u>

Note 7 - Long-term Liabilities

The District's long-term liabilities consist of bond indebtedness, lease and SBITA liabilities, and compensated absences. The current requirements for general obligation bonds principal and interest expenditures are accounted for in the Debt Service Fund. The current requirements for leases and SBITAs are accounted for in the General Fund and Special Revenue funds.

Note 7 - Long-term Liabilities (continued)

Changes in Long-term Liabilities

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

	Restated Balance July 1, 2024	Additions	Retirements	Balance June 30, 2025	Due Within One Year
Bonded Debt Payable	\$ 680,866,378	\$ -	\$ (25,517,097)	\$ 655,349,281	\$ 26,638,879
Unamortized Premium (Discount) on Debt	78,108,276	-	(7,357,972)	70,750,304	-
Accumulated Accretion on Capital Appreciation Bonds	14,431,616	542,118	(1,507,904)	13,465,830	616,122
Leases Liability	983,750	-	(983,750)	-	-
SBITA Liability	299,365	4,378,792	(4,044,717)	633,440	471,034
Compensated Absences*	4,208,212	965,982	-	5,174,194	592,933
	<u>\$ 778,897,597</u>	<u>\$ 5,886,892</u>	<u>\$ (39,411,440)</u>	<u>\$ 745,373,049</u>	<u>\$ 28,318,968</u>

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

General Obligation Bonds

General Obligation Bonds outstanding, at June 30, 2025, are comprised of the following:

Issue	Original Issuance Amount	Interest Rate (%)	Maturity Date	Debt Outstanding
Unlimited Tax Bonds				
Unlimited Tax Refunding Bonds, Series 2012	\$ 36,409,259	2.00 - 5.00%	8/15/2031	\$ 6,334,260
Unlimited Tax Refunding Bonds, Series 2013	8,760,000	2.00 - 3.50%	8/15/2026	4,655,000
Unlimited Tax Refunding Bonds, Series 2014-A	24,045,000	2.50 - 5.00%	8/15/2030	4,570,000
Unlimited Tax School Building Bonds, Series 2014-B	54,200,000	2.00 - 5.00%	8/15/2030	3,905,000
Unlimited Tax School Building Bonds, Series 2015-A	27,020,000	2.00 - 5.00%	8/15/2029	4,460,000
Unlimited Tax Refunding Bonds, Series 2015-B	21,309,996	2.00 - 4.00%	8/15/2031	11,335,000
Unlimited Tax Refunding Bonds, Series 2015-C	27,496,135	2.00 - 5.00%	8/15/2032	23,085,000
Unlimited Tax Refunding Bonds, Series 2015-D	27,068,535	2.00 - 5.00%	8/15/2031	13,065,000
Unlimited Tax School Building Bonds, Series 2015-E	71,870,000	2.00 - 5.00%	8/15/2032	21,875,000
Unlimited Tax Refunding Bonds, Series 2016-A	16,890,000	2.00 - 5.00%	8/15/2033	11,940,000
Unlimited Tax Refunding Bonds, Series 2016-B	22,270,000	4.00 - 5.00%	8/15/2035	16,395,000
Unlimited Tax School Building Bonds, Series 2016-C	91,375,000	2.00 - 5.00%	8/15/2042	84,310,000
Unlimited Tax Refunding Bonds, Series 2017-A	12,803,008	3.00 - 5.00%	8/15/2032	10,135,000
Unlimited Tax School Building Bonds, Series 2017-B	88,350,000	3.00 - 5.00%	8/15/2042	77,990,000
Unlimited Tax School Building Bonds, Series 2018	118,645,000	5.00%	8/15/2048	107,305,000
Unlimited Tax School Building Bonds, Series 2019	84,740,000	3.00 - 5.00%	8/15/2044	82,055,000
Unlimited Tax School Building Bonds, Series 2020-A	81,190,000	3.00 - 5.00%	8/15/2045	78,055,000
Unlimited Tax Refunding Bonds, Series 2020-B	6,260,000	4.00%	8/15/2025	1,260,000
Unlimited Tax Refunding Bonds, Series 2020-C	5,680,000	4.00%	8/15/2032	5,680,000
Unlimited Tax Refunding Bonds, Series 2020-D	14,780,000	0.29 - 5.00%	8/15/2030	10,750,000
Unlimited Tax Refunding Bonds, Series 2021-A	25,954,972	0.48 - 2.59%	8/15/2040	25,139,028
Unlimited Tax Refunding Bonds, Series 2021-B	41,779,972	1.50 - 2.68%	8/15/2041	41,275,993
Unlimited Tax Refunding Bonds, Series 2024	11,940,000	5.00%	8/15/2028	9,775,000
				<u>\$ 655,349,281</u>

Note 7 - Long-term Liabilities (continued)

Debt service requirements to maturity for the General Obligation Bonds are as follows:

Fiscal Year	Principal	Interest	Totals
2026	\$ 26,638,879	\$ 26,884,149	\$ 53,523,028
2027	27,152,680	25,713,175	52,865,855
2028	27,325,494	25,470,292	52,795,786
2029	28,341,450	24,404,860	52,746,310
2030	28,518,811	22,680,614	51,199,425
2031 - 2035	151,256,967	101,345,638	252,602,605
2036 - 2040	177,495,000	58,290,690	235,785,690
2041 - 2045	149,680,000	23,225,849	172,905,849
2046 - 2050	38,940,000	3,445,600	42,385,600
	<u>\$ 655,349,281</u>	<u>\$ 311,460,867</u>	<u>\$ 966,810,148</u>

The District's capital appreciation bonds (CABs) accreted interest totaled \$13,465,830 as of June 30, 2025. The accreted value of the capital appreciation bonds as of June 30, 2025 totaled \$19,865,915. The maturity value of the CABs total \$22,605,000. The last CABs mature in fiscal year 2034.

Refunding of Long-Term Debt

In prior years, the District defeased certain unlimited tax school building bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements. As of June 30, 2025, there were \$58,595,000 bonds considered defeased that are still outstanding.

Subscription-based information technology arrangements (SBITAs)

The District is under contract for noncancellable SBITAs that convey control of the right to use educational software and financial software. The incremental borrowing rate ranges from 0.28% to 2.58%. The cost of the SBITA asset as disclosed in Note 5 *Capital Assets* was \$5,587,635 and the accumulated amortization was \$1,688,103.

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

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

Fiscal Year	Principal	Interest	Total
2026	\$ 471,032	\$ 17,240	\$ 126,178
2027	162,408	4,981	167,389
	<u>\$ 633,440</u>	<u>\$ 22,221</u>	<u>\$ 293,567</u>

Note 8 - Revenues from Local, Intermediate, and Out-of-State Sources

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

	General Fund	National School Breakfast & Lunch Program	FCC License	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Property taxes	\$ 98,124,047	\$ -	\$ -	\$ 56,116,964	\$ -	\$ -	\$ 154,241,011
Investment Income	6,498,020	403,529	390,542	2,931,758	676,568	269,885	11,170,302
Co-curricular student activities	764,785	-	-	-	-	3,519,104	4,283,889
Insurance recovery	1,244,749	-	-	-	132,589	-	1,377,338
Donations	-	-	-	-	-	1,293,233	1,293,233
Tuition and fees	899,638	-	-	-	-	-	899,638
Food sales	-	549,356	-	-	-	628	549,984
Lease revenue	331,812	-	502,604	-	-	-	834,416
SSA revenue from member districts	-	-	-	-	-	2,737,987	2,737,987
Other local revenue	2,909,294	5,508	-	-	619,147	1,426	3,535,375
Total Local Revenues	\$ 110,772,345	\$ 958,393	\$ 893,146	\$ 59,048,722	\$ 1,428,304	\$ 7,822,263	\$ 180,923,173

Note 9 - Federal Source Revenues in the General Fund

For the year ended June 30, 2025, the General Fund reports the following federal revenue:

Program or Source	ALN	Amount
SHARS	N/A	\$ 2,408,690
Army JROTC	N/A	835,070
STEM JROTC	N/A	144,850
Indirect Costs - Department of Education	84.XXX	1,346,446
Indirect Costs - Department of Labor	17.278	3,999
Indirect Costs - Department of Justice	16.839	5,548
Indirect Costs - Child Nutrition	10.555	2,198,878
		<u>\$ 6,943,481</u>

Note 10 - Defined Benefit Pension Plan

A. Plan Description

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

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

Note 10 - Defined Benefit Pension Plan (continued)

B. Pension Plan Fiduciary Net Position

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

C. Benefits Provided

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

One-Time Stipends

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

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

Cost-of-Living Adjustment

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

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

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

D. Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 8% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year.

Note 10 - Defined Benefit Pension Plan (continued)

D. Contributions (continued)

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

	Contribution Rates	
	September 1, 2024 to June 30, 2025	July 1, 2024 to August 31, 2024
Active Employee	8.25%	8.25%
Non-Employer Contributing Entity (State)	8.25%	8.25%
District	8.25%	8.25%

	Fiscal Year 2025 Contributions
Active Employee	\$ 28,044,220
Non-Employer Contributing Entity (State)	19,700,739
District	13,755,890

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

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

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

In addition to the employer contributions listed above, the employer is subject to an additional surcharge in the following instances:

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

Note 10 - Defined Benefit Pension Plan (continued)

E. Actuarial Assumptions

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

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

The actuarial 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.

Discount Rate

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

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

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

Note 10 - Defined Benefit Pension Plan (continued)

E. Actuarial Assumptions (continued)

Discount Rate (continued)

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

Asset Class	Target Allocation²	Long-Term Expected Geometric Real Rate of Return³	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.00%	4.40%	1.00%
Non-U.S. Developed	13.00%	4.20%	0.80%
Emerging Markets	9.00%	5.20%	0.70%
Private Equity ¹	14.00%	6.70%	1.20%
Stable Value			
Government Bonds	16.00%	1.90%	0.40%
Absolute Return ¹	0.00%	4.00%	0.00%
Stable Value Hedge Funds	5.00%	3.00%	0.20%
Real Return			
Real Estate	15.00%	6.60%	1.20%
Energy, Natural Resources & Infrastructure	6.00%	5.60%	0.40%
Commodities	0.00%	2.50%	0.00%
Risk Parity	8.00%	4.00%	0.40%
Asset Allocation Leverage			
Cash	2.00%	1.00%	0.00%
Asset Allocation Leverage	-6.00%	1.30%	-0.10%
Inflation Expectation			2.40%
Volatility Drag ⁴			-0.70%
Expected Return	100.00%		7.90%

¹ Absolute Return includes Credit Sensitive Investments.

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

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

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

F. Discount Rate Sensitivity Analysis

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

	Discount Rate		
	1% Decrease (6.00%)	Current Rate (7.00%)	1% Increase (8.00%)
District's proportional share of the net pension liability	\$ 249,351,404	\$ 156,112,616	\$ 78,857,651

Note 10 - Defined Benefit Pension Plan (continued)

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

At June 30, 2025, the District reported a liability of \$156,112,616 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 156,112,616
State's proportionate share that is associated with the District	<u>194,207,761</u>
Total	<u>\$ 350,320,377</u>

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

At August 31, 2024, the employer's proportion of the collective net pension liability was 0.2556% which was a decrease of 0.0375% from its proportion measured 0.2931% as of August 31, 2023.

Changes in Assumptions and Benefits Since the Prior Actuarial Valuation

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

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

The amount of pension expense recognized by the District in the reporting period was \$22,957,730

For the year ended June 30, 2025, the District recognized on-behalf pension expense of \$23,211,073 and on-behalf pension revenue of \$23,211,073 for support provided by the State.

Note 10 - Defined Benefit Pension Plan (continued)

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

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

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 8,604,714	\$ (1,218,850)
Changes of assumption	8,060,428	(1,080,628)
Net difference between projected and actual earnings on pension plan investments	948,954	-
Changes in proportion and differences between District contributions and proportionate share of contributions	19,039,688	(17,705,374)
District contributions subsequent to the measurement date of the net pension liability	11,483,138	-
Total	<u>\$ 48,136,922</u>	<u>\$ (20,004,852)</u>

The District recognized \$11,483,138 as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the measurement year ended June 30, 2026. The other amounts of the District's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year</u>	<u>Pension Expense</u>	<u>Balance of Deferred Outflows</u>
2026	\$ 1,623,506	\$ 15,025,426
2027	18,259,418	(3,233,992)
2028	2,896,245	(6,130,237)
2029	(4,420,290)	(1,709,947)
2030	(1,709,947)	-
	<u>\$ 16,648,932</u>	

Note 11 - Defined Other Post-Employment Benefit Plans

A. Plan Description

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

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

B. OPEB Plan Fiduciary Net Position

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

C. Benefits Provided

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

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

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

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

D. Contributions

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

Note 11 - Defined Other Post-Employment Benefit Plans (continued)

D. Contributions (continued)

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

	Contribution Rates		Fiscal Year 2025 Contributions
	September 1, 2024 to June 30, 2025	July 1, 2024 to August 31, 2024	
Active Employee	0.65%	0.65%	\$ 2,208,461
Non-Employer Contributing Entity (State)	1.25%	1.25%	6,097,164
District:			
District, Excluding Federal/Private Funding	0.75%	0.75%	2,574,185
Federal/Private Funding	1.25%	1.25%	364,303
Total District			2,938,488
Total			\$ 11,244,113

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

E. Actuarial Assumptions

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

Additional Actuarial Methods and Assumptions:

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

Note 11 - Defined Other Post-Employment Benefit Plans (continued)

E. Actuarial Assumptions (continued)

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The demographic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2021. The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2023 TRS pension actuarial valuation that was rolled forward to August 31, 2024: (a) Rates of Mortality, (b) Rates of Retirement, (c) Rates of Termination, (d) Rates of Disability, (e) General Inflation, and (f) Wage Inflation.

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

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. Because the investments are held in cash and there is no intentional objective to advance fund the benefits, the Single Discount Rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate is the Bond Buyer's "20-Bond GO Index" as of August 31, 2024 using the Fixed Income Market Data/Yield Curve/ Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

F. Discount Rate Sensitivity Analysis

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

	Discount Rate		
	1% Decrease (2.87%)	Current Rate (3.87%)	1% Increase (4.87%)
District's proportional share of the net OPEB liability	\$ 122,462,695	\$ 103,079,022	\$ 87,416,722

G. Healthcare Trend Rate Sensitivity Analysis

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

	Healthcare Cost Trend Rate		
	1% Decrease	Current Rate	1% Increase
District's proportional share of the net OPEB liability	\$ 83,942,560	\$ 103,079,022	\$ 128,015,739

Note 11 - Defined Other Post-Employment Benefit Plans (continued)

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

At June 30, 2025, the District reported a liability of \$103,079,022 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 103,079,022
State's proportionate share that is associated with the District	<u>129,156,616</u>
Total	<u><u>\$ 232,235,638</u></u>

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

At August 31, 2024 the District's proportion of the collective Net OPEB Liability was 0.3396% which was a decrease of 0.0370% from its proportion measured 0.3766% as of August 31, 2023.

Changes Since the Prior Actuarial Valuation

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

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

Changes of Benefit Terms Since the Prior Measurement Date

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

For the year ended June 30, 2025, the District recognized negative OPEB expense of \$9,213,845. The District also recognized negative on-behalf OPEB expense and negative revenue of \$16,787,976 for support provided by the State.

Note 11 - Defined Other Post-Employment Benefit Plans (continued)

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 19,756,788	\$ (51,442,021)
Changes of assumption	13,192,897	(33,633,492)
Net difference between projected and actual earnings on OPEB plan investments	-	(288,654)
Changes in proportion and differences between District contributions and proportionate share of contributions	36,001,863	(19,624,177)
District contributions subsequent to the measurement date of the net OPEB liability	2,453,319	-
Total	<u><u>\$ 71,404,867</u></u>	<u><u>\$ (104,988,344)</u></u>

The District recognized \$2,453,319 as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date, which will be recognized as a reduction of the net OPEB liability in the measurement year ended June 30, 2026. The other amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year	OPEB Expense Amount	Balance of Deferred Outflows (Inflows)
2026	\$ (11,896,869)	\$ (24,139,927)
2027	(7,228,317)	(16,911,610)
2028	(9,412,120)	(7,499,490)
2029	(7,034,908)	(464,582)
2030	(2,478,725)	2,014,143
Thereafter	2,014,143	-
	<u><u>\$ (36,036,796)</u></u>	

I. Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants.

For the fiscal years ended June 30, 2025, 2024, and 2023, the subsidy payments received by TRS-Care on-behalf of the District were \$2,214,414, \$1,795,117, and \$1,661,618, respectively. The information for the year ended June 30, 2025 is an estimate provided by the Teacher Retirement System. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements of the District.

Note 12 - Risk Management

A. Property/Liability

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

B. Health Care Coverage

Effective September 1, 2023, the District transitioned to a self-funded health insurance model and exited the TRS ActiveCare program. Under this new plan, the District offers employees and their families a single health insurance plan with three coverage options.

As of June 30, 2025, a total of 3,698 employees have enrolled in the plan. At that date, the liability for incurred but not reported (IBNR) claims is estimated at \$6,083,334. This amount represents expected claims that have been incurred but not yet submitted for payment as of the fiscal year-end.

C. Workers' Compensation

Claims are paid by a third party administrator acting on behalf of the District under the terms of a contractual agreement. Administrative fees are included within the provisions of that agreement. According to state statute, the District is protected against unanticipated catastrophic claims and aggregate loss by coverage carried through Midwest Employers Casualty, a commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance Code. Coverage was in effect for specific occurrences exceeding \$500,000.

The costs associated with these self-insurance plans are reported as interfund transactions to the extent of amounts actuarially determined. Accordingly, they are treated as operating revenues of the Internal Service Funds and operating expenditures of the General Fund and the Special Revenue Funds. The liabilities of the workers' compensation self-insurance plan totaled \$2,163,893 and includes incurred but not reported claims. These liabilities reported in the funds at June 30, 2025 are based on the requirements of Governmental Accounting Standards Board No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors. The workers' compensation liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time were computed by an actuary and are reported at their present value using expected future investment yield assumption of 3%.

Changes in the workers' compensation claims liability amounts for the past three years are as follows:

Fiscal Year	Beginning of Year Accrual	Current Year Estimates	Claims Payments	End of Year Accrual
2023	\$ 1,319,800	\$ 294,830	\$ (751,358)	\$ 863,272
2024	863,272	2,391,229	(1,292,399)	1,962,102
2025	1,962,102	1,759,015	(1,557,224)	2,163,893

Note 13 - Commitments and Contingencies

A. Litigation

The District is the defendant in a number of lawsuits arising principally in the normal course of operations. In the opinion of the administration, the outcome of these lawsuits will not have a materially adverse effect on the accompanying basic financial statements and accordingly, no provision for losses has been recorded.

B. Grant Programs

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2025 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies

Note 14 - Shared Service Agreements

Deaf Education

The District is the fiscal agent for the Deaf Education program for the following member districts: Garland Independent School District, Forney Independent School District, Kaufman Independent School District, Red Oak Independent School District, Rockwall Independent School District, Royse City Independent School District, Sunnyvale Independent School District, Terrell Independent School District, and Wills Point Independent School District. The District acts as the fiscal agent and provides services for the member districts. The District's expenditures for the year ended June 30, 2025, totaled \$5,608,404. The District makes all purchases on behalf of the other member districts and is reimbursed by the other member districts for their portion of the expenditures.

Note 15 - Arbitrage

In accordance with the provisions of Section 148(f) of the Internal Revenue Code of 1986, as amended, bonds must satisfy certain arbitrage rebate requirements. Positive arbitrage is the excess of (1) the amount earned on investments purchased with bond proceeds over, (2) the amount that such investments would have earned had such investments been invested at a rate equal to the yield on the bond issue. In order to comply with the arbitrage rebate requirements, positive arbitrage must be paid to the U.S. Treasury at the end of each five-year anniversary date of the bond issue. As of June 30, 2025, the District has a current arbitrage liability of \$884,550 due and paid within 60 days of the District's fiscal year end. This liability is presented in the District's governmental fund - capital projects fund. The District has estimated that it has no long-term arbitrage liability as of June 30, 2025.

Note 16 - Lease Receivable and the District as a Lessor

On March 1, 2023, the District entered into a 360-month lease as Lessor for the use of Land - Cell Tower. An initial lease receivable was recorded in the amount of \$15,078,113. As of June 30, 2025, the value of the lease receivable is \$15,094,036. During the fiscal year, the lessee made monthly fixed payments of \$31,190 from July 2024 to February 2025 and \$32,688 from March 2025 to June 2025. The fixed monthly payments will increase annually by 5% every March. The lease has an interest rate of 2.5880%.

The value of the deferred inflow of resources as of June 30, 2025 was \$13,905,371, and the District recognized lease revenue of \$502,604 during the fiscal year.

The net present value calculated as of March 1, 2023 was \$15,078,113 for the lease receivable and offset by a deferred inflow of resources. The District will amortize the deferred inflow of resources over 30 years and will reduce the lease receivable by the principal payments.

Cell Tower Lessor Agreement			
Fiscal Year	Principal	Interest	Total
2026	\$ 7,890	\$ 390,594	\$ 398,484
2027	28,067	390,161	418,228
2028	51,261	389,163	440,424
2029	76,077	387,547	463,624
2030	102,592	385,268	487,860
2031-2035	977,109	1,865,679	2,842,788
2036-2040	1,954,663	1,680,309	3,634,972
2041-2045	3,274,524	1,347,612	4,622,136
2046-2050	5,035,056	817,284	5,852,340
2051-2053	3,586,797	131,559	3,718,356
Total	\$ 15,094,036	\$ 7,785,176	\$ 22,879,212

The District began leasing a building on July 1, 2023 to Texas A&M. The lease will end on December 31, 2025. The lease is noncancellable, with payments changing each year for the next 3 years. The incremental borrowing rate used to calculate the net present value was 2.5830%. The net present value calculated as of July 1, 2023 was \$376,034 and offset by a deferred inflow of resources. The District will amortize the deferred inflow over 3 years and will reduce the lease receivable by the principal payments.

Texas A&M Lessor Agreement			
Fiscal Year	Principal	Interest	Total
2026	\$ 62,828	\$ 474	\$ 63,302
Total	\$ 62,828	\$ 474	\$ 63,302

Note 17 – Subsequent Event

On August 7, 2025 the District issued \$493,915,000 Unlimited Tax School Building and Refunding Bonds, Series 2025 (the "Bonds"). Proceeds from the sale of the Bonds will be used (i) to refund a portion of the District's outstanding debt for debt service savings, (ii) for designing, constructing, renovating, improving, upgrading, updating, acquiring, and equipping school facilities (and any necessary or related removal of existing facilities), the purchase of the necessary sites for school facilities, the purchase of new school buses, the retrofitting of school buses with emergency, safety, or security equipment, and the purchase or retrofitting of vehicles to be used for emergency, safety, or security purposes, (iii) for acquiring, improving and updating technology equipment, and (iv) to pay costs associated with the issuance of the Bonds. The bonds were issued at a premium of \$18,908,984, an interest rate of 4.50% and 5.00%, and maturity of August 15, 2052.

Note 18 - Restatements of Beginning Balances

Change in accounting principle - Implementation of GASB 101

Effective July 1, 2024, the District implemented GASB Statement No. 101, *Compensated Absences*, which supersedes GASB Statement No. 16, *Accounting for Compensated Absences*. GASB 101 requires recognition of liabilities for compensated absences when the leave is attributable to services already rendered and is more likely than not to be used or paid. As a result of this implementation, the District recognized previously unrecorded liabilities for certain types of leave, including state and local sick leave, that meet the new recognition criteria. The implementation was applied prospectively as required by GASB 101. The District evaluated its leave policies and historical usage patterns to determine the “more likely than not” threshold for recognition. The liability was measured using the pay rates in effect as of the beginning of the fiscal year. See Note 1.H, *Compensated Absences* for more information.

The following reporting unit was affected by restatement of beginning balances described above:

	Governmental Activities
June 30, 2024, Net Position as Previously Reported	\$ 304,379,419
Change in accounting principle (GASB 101)	(3,058,388)
June 30, 2024, Net Position as Restated	<u><u>\$ 301,321,031</u></u>

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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IN REGARD to the authorization and issuance of the “Mesquite Independent School District Unlimited Tax Refunding Bonds, Series 2026,” dated August 1, 2026 in the aggregate principal amount of \$[] (the “Bonds”), we have examined into their issuance by the Mesquite 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 and in denominations of \$5,000 or any integral multiple thereof for any one stated maturity. The Bonds mature on August 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”), unless redeemed prior to maturity in accordance with the terms stated on the Bonds. The Bonds accrue interest from the date, 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, a Deposit Agreement (the “Deposit Agreement”) between the District and the paying agent/registrars for the bonds being refunded (the “Prior Paying Agent/Registrar”), and an examination of the initial Bond 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.

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Re: "Mesquite Independent School District Unlimited Tax Refunding Bonds, Series 2026,"
dated August 1, 2026

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 bonds being refunded by the Bonds have been defeased and are regarded as being outstanding only for the purpose of receiving payment from the funds held by the Prior Paying Agent/Registrar in accordance with the provisions of Texas Government Code, Chapter 1207, as amended. In rendering this opinion, we have relied upon the certification of the Prior Paying Agent/Registrar in the Deposit Agreement as to the sufficiency of the cash deposited with the Prior Paying Agent/Registrar for the purposes of paying the outstanding bonds 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.

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Re: "Mesquite Independent School District Unlimited Tax Refunding Bonds, Series 2026,"
dated August 1, 2026

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.

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APPENDIX D

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

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

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

History and Purpose

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

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

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

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

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

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

Management and Administration of the Fund

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

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

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

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

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

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

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

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

The Total Return Constitutional Amendment

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

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

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

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

Annual Distributions to the Available School Fund¹

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

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

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

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

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

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

<u>State Fiscal Biennium</u>	<u>2010-11</u>	<u>2012-13</u>	<u>2014-15</u>	<u>2016-17</u>	<u>2018-19</u>	<u>2020-21</u>	<u>2022-23</u>	<u>2024-25</u>	<u>2026-27</u>
<u>SBOE Distribution Rate¹</u>	2.5%	4.2%	3.3%	3.5%	3.7%	2.974%	4.18%	3.32%	3.45%

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

PSF Corporation Strategic Asset Allocation

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

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

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

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

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

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

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Comparative Investment Schedule – PSF(CORP)

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

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

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

Investment Schedule - PSF(SLB)¹

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

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

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

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

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

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

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

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

The School District Bond Guarantee Program

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

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

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

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

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

The Charter District Bond Guarantee Program

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

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

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

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

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

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

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

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

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

Capacity Limits for the Guarantee Program

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

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

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

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

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

The IRS Notice changed the IRS Limit from a static limit to a dynamic limit for the Guarantee Program based upon the cost value of Fund assets, multiplied by five. As of December 31, 2025 the cost value of the Guarantee Program was \$51,913,224,643 (unaudited), thereby producing an IRS Limit of \$259,566,123,215 in principal amount of guaranteed bonds outstanding.

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

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

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

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

2017 Legislative Changes to the Charter District Bond Guarantee Program

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

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

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

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

Charter District Risk Factors

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

Other than credit support for charter district bonds that is provided to qualifying charter districts by the Charter District Bond Guarantee Program, State funding for charter district facilities construction is limited to a program established by the Legislature in 2017, which provides \$60 million per year for eligible charter districts with an acceptable performance rating for a variety of funding purposes, including for lease or purchase payments for instructional facilities. Since State funding for charter facilities is limited, charter schools generally issue revenue bonds to fund facility construction and acquisition, or fund facilities from cash

flows of the school. Some charter districts have issued non-guaranteed debt in addition to debt guaranteed under the Charter District Bond Guarantee Program, and such non-guaranteed debt is likely to be secured by a deed of trust covering all or part of the charter district's facilities. In March 2017, the TEA began requiring charter districts to provide the TEA with a lien against charter district property as a condition to receiving a guarantee under the Charter District Bond Guarantee Program. However, charter district bonds issued and guaranteed under the Charter District Bond Guarantee Program prior to the implementation of the new requirement did not have the benefit of a security interest in real property, although other existing debts of such charter districts that are not guaranteed under the Charter District Bond Guarantee Program may be secured by real property that could be foreclosed on in the event of a bond default.

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

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

Ratings of Bonds Guaranteed Under the Guarantee Program

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

Valuation of the PSF and Guaranteed Bonds

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

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

⁽²⁾ At August 31, 2025, mineral assets, sovereign lands, other lands, and discretionary internal investments, had book values of approximately \$13.4 million, \$0.8 million, \$37.3 million, and \$830.7 million, respectively, and market values of approximately \$4,872.7 million, \$279.8 million, \$153.1 million, and \$989.2 million, respectively.

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

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

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

Permanent School Fund Guaranteed Bonds by Category⁽¹⁾

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

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

⁽²⁾ At December 31, 2025 (based on unaudited data, which is subject to adjustment), there were \$143,822,038,077 in principal amount of bonds guaranteed under the Guarantee Program, representing 3,456 school district issues, aggregating \$137,938,824,077 in principal amount and 114 charter district issues, aggregating \$5,883,214,000 in principal amount. At December 31, 2025 the projected guarantee capacity available was \$32,174,623,697 (based on unaudited data, which is subject to adjustment).

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

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

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

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

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

PSF Returns Fiscal Year Ended 8-31-2025¹

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

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

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

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

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

Other Events and Disclosures

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

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

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

PSF Continuing Disclosure Undertaking

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

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

respect to such undertakings. Under the TEA Undertaking, the TEA is obligated to provide annually certain updated financial information and operating data, and timely notice of specified material events, to the MSRB.

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

Annual Reports

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

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

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

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

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

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

Event Notices

The TEA and the PSF Corporation will also provide timely notices of certain events to the MSRB. Such notices will be provided not more than ten business days after the occurrence of the event. The TEA or the PSF Corporation will provide notice of any of the following events with respect to the Guarantee Program: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if such event is material within the meaning of the federal securities laws; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Guarantee Program, or other material events affecting the tax status of the Guarantee Program; (7) modifications to rights of holders of bonds guaranteed by the Guarantee Program, if such event is material within the meaning of the federal securities laws; (8) bond calls, if such event is material within the meaning of the federal securities laws, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of bonds guaranteed by the Guarantee Program, if such event is material within the meaning of the federal securities laws; (11) rating changes of the Guarantee Program; (12) bankruptcy, insolvency, receivership, or similar event of the Guarantee Program (which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Guarantee Program in a proceeding under

the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Guarantee Program, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Guarantee Program); (13) the consummation of a merger, consolidation, or acquisition involving the Guarantee Program or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if such event is material within the meaning of the federal securities laws; (14) the appointment of a successor or additional trustee with respect to the Guarantee Program or the change of name of a trustee, if such event is material within the meaning of the federal securities laws; (15) the incurrence of a financial obligation of the Guarantee Program, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Guarantee Program, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Guarantee Program, any of which reflect financial difficulties. (Neither the Act nor any other law, regulation or instrument pertaining to the Guarantee Program make any provision with respect to the Guarantee Program for bond calls, debt service reserves, credit enhancement, liquidity enhancement, early redemption, or the appointment of a trustee with respect to the Guarantee Program.) In addition, the TEA or the PSF Corporation will provide timely notice of any failure by the TEA or the PSF Corporation to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information

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

Limitations and Amendments

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

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

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

Compliance with Prior Undertakings

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

SEC Exemptive Relief

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

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