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

HTS Continuing Disclosure Services
A Division of Hilltop Securities.

(See "Continuing Disclosure Information" herein)

PRELIMINARY OFFICIAL STATEMENT

Dated November 12, 2026

Ratings:
S&P: "AAA" (PSF) / "AA-"
(See "OTHER INFORMATION – Ratings" & "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" 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" herein, including the alternative minimum tax on certain corporations.

$76,770,000*
WHITEHOUSE INDEPENDENT SCHOOL DISTRICT
(Smith County, Texas)
UNLIMITED TAX REFUNDING BONDS, SERIES 2026

Dated: December 15, 2026 **Due: As shown on Page 2**
(Interest accrues from Delivery Date, defined below)

PAYMENT TERMS . . . Interest on the $76,770,000* Whitehouse Independent School District Unlimited Tax Refunding Bonds, Series 2026 (the "Bonds") will accrue from the Delivery Date (defined below) to the initial purchasers thereof named below (the "Underwriters"), will be payable initially on February 15, 2027 and each August 15 and February 15 thereafter, until stated maturity or prior redemption and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued as fully registered obligations in the 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, New York, New York ("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 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 Zions Bancorporation, National Association, Houston, 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 Chapter 1207, Texas Government Code, as amended, and an order (the "Bond Order") passed by the Board of Trustees (the "Board") of the Whitehouse Independent School District (the District") on November 9, 2026, in which the Board delegated to an officer of the District (the "Pricing Officer") authority to complete the sale of the Bonds through the execution of a "Pricing Certificate" (the Bond Order and 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 authorizing the issuance of the Bonds (see "THE BONDS - Authority for Issuance"). **The District has received conditional approval for the payment of the Bonds to be guaranteed by the Permanent School Fund of Texas (see "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").**

MATURITY SCHEDULE

See page 2

PURPOSE . . . Proceeds from the sale of the Bonds will be used (i) to refund a portion of the District's outstanding debt (the "Refunded Bonds") for debt service savings, (see Schedule I for a detailed listing of the Refunded Bonds and their respective call dates) and (ii) to pay the costs associated with the issuance of the Bonds.

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the Underwriters and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel (see Appendix C, "Form of Bond Counsel's Opinion"). Certain legal matters will be passed upon for the Underwriters by their counsel, Norton Rose Fulbright US LLP, Dallas, Texas.

DELIVERY . . . It is expected that the Bonds will be available for delivery through the facilities of DTC on or about December 22, 2026 (the "Delivery Date").

RBC CAPITAL MARKETS
RAYMOND JAMES

FHN FINANCIAL CAPITAL MARKETS
FROST BANK

* Preliminary, subject to change.

$76,770,000*
WHITEHOUSE INDEPENDENT SCHOOL DISTRICT
(Smith County, Texas)
UNLIMITED TAX REFUNDING BONDS, SERIES 2026

CUSIP [(1)] Prefix: 965288

MATURITY SCHEDULE*

Principal Amount	Maturity 2/15	Interest Rate	Initial Yield	CUSIP [(1)]	Principal Amount	Maturity 2/15	Interest Rate	Initial Yield	CUSIP [(1)]
$ 990,000	2027				$ 5,420,000	2035			
3,575,000	2028				5,740,000	2036			
3,800,000	2029				6,035,000	2037			
4,035,000	2030				6,345,000	2038			
4,280,000	2031				6,670,000	2039			
4,540,000	2032				5,130,000	2040			
4,825,000	2033				5,135,000	2041			
5,115,000	2034				5,135,000	2042			

(Interest to accrue from Delivery Date)

OPTIONAL REDEMPTION . . . The District reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 20__, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on February 15, 20__, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption (see "THE BONDS - Optional Redemption").

_____
* Preliminary, subject to change.

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USE OF INFORMATION IN THE OFFICIAL STATEMENT

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

This document, when further supplemented by adding information specifying the interest rates and certain other information relating to the Bonds, shall constitute a "final official statement" of the District with respect to the Bonds, as such term is defined in the Rule.

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 Financial 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 respective responsibilities to investors under 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 the schedule and 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.

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

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

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

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this offering document.

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

OFFICIAL STATEMENT SUMMARY

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

THE DISTRICT	The Whitehouse Independent School District (the "District") is a political subdivision located in Smith County, Texas. The District is approximately 77.07 square miles in area.
THE BONDS	The $76,770,000* Unlimited Tax Refunding Bonds, Series 2026 (the "Bonds") mature on February 15 in each of the years 2027 through 2042, inclusive, unless the underwriters of the Bonds identified on the cover page hereof (the "Underwriters") designate two or more consecutive maturities as one or more "Term Bonds" (see "THE BONDS – Description of the Bonds").
PAYMENT OF INTEREST	Interest on the Bonds accrues from the Delivery Date and is payable initially on February 15, 2027 and each August 15 and February 15 thereafter until maturity or prior redemption (see "THE BONDS – Description of the Bonds" and "THE BONDS – Optional Redemption").
AUTHORITY FOR ISSUANCE	The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including Chapter 1207, Texas Government Code, as amended, and an order (the "Bond Order") passed by the Board on November 9, 2026, in which the Board delegated to an officer of the District (the "Pricing Officer") authority to complete the sale of the Bonds through the execution of a "Pricing Certificate" (the Bond Order and 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. 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 (see "THE BONDS - Security and Source of Payment").
PERMANENT SCHOOL FUND GUARANTEE	The District has made application to the Texas Education Agency and has received conditional approval for payment of the Bonds to be guaranteed by the Permanent School Fund (see "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").
TAX EXEMPTION	In the opinion of Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on certain corporations.
REDEMPTION PROVISIONS	The District reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 20__, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on February 15, 20__, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption (see "THE BONDS – Optional Redemption").
USE OF PROCEEDS	Proceeds from the sale of the Bonds will be used (i) to refund a portion of the District's outstanding debt (the "Refunded Bonds") for debt service savings (see "PLAN OF FINANCING"; also see Schedule I for a detailed listing of the Refunded Bonds and their respective call dates) and (ii) to pay the costs associated with the issuance of the Bonds.
RATINGS	The Bonds are rated "AAA" by S&P Global Ratings ("S&P") by virtue of the guarantee of the Permanent School Fund of the State of Texas. The Bonds and the presently outstanding debt are rated "AA-" by S&P without regard to credit enhancement. See "OTHER INFORMATION - Ratings".

* 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 (principal amount) or integral multiples thereof within a maturity. 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.

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DISTRICT OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

Board of Trustees	Term Expires	Occupation
Dr. Todd Raabe President	May, 2029	Physician
Mr. Al Flanagan Vice President	May, 2029	Certified Financial Planner
Ms. Holly Conaway Secretary	May, 2028	Managing Partner, East Texas Rent Homes
Dr. Joe Conflitti Board Member	May, 2029	Orthopedic Surgeon
Mr. Keidric Trimble Board Member	May, 2027	CFO for the City of Tyler
Ms. Maegan Schneider Board Member	May, 2027	Civil Engineer
Mr. Nick Moss Board Member	May, 2028	Account Executive at Genesis eBONDS

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service to the District	Length of Service in Education
Dr. Casey Whittle	Superintendent of Schools	2 Years	26 Years
Clint Ray	Chief Financial and Operations Officer	22 Years	22 Years

CONSULTANTS AND ADVISORS

Independent Auditors [(1)] ..... Squyres & Co. LLP
Tyler, Texas

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

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

_____

(1) The District has engaged Pattillo, Brown & Hill, LLP, who will complete the fiscal year end 2026 audit.

For additional information regarding the District, please contact:

Clint Ray
Chief Financial and Operations Officer
Whitehouse Independent School District
104 Highway 110 North
Whitehouse, TX 75791
(903) 839-5500

or

Erick Macha
Managing Director
Hilltop Securities Inc.
717 North Harwood Street, Suite 3400
Dallas, Texas 75201
(214) 953-4033

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PRELIMINARY OFFICIAL STATEMENT
RELATING TO

$76,770,000*
WHITEHOUSE INDEPENDENT SCHOOL DISTRICT
UNLIMITED TAX REFUNDING BONDS, SERIES 2026

INTRODUCTION

This Official Statement, which includes the Appendices and Schedule I hereto, provides certain information regarding the issuance of $76,770,000* Whitehouse Independent School District Unlimited Tax Refunding Bonds, Series 2026 (the "Bonds").

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

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

DESCRIPTION OF THE DISTRICT . . . The District is a political subdivision located in Whitehouse, Texas. The District is governed by a seven-member Board of Trustees (the "Board"). Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools who is the chief administrative officer of the District. Support services are supplied by consultants and advisors.

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 (the "Refunded Bonds") for debt service savings (see Schedule I for a detailed listing of the Refunded Bonds and their respective call dates) and (ii) to pay the costs associated with the issuance of the Bonds.

REFUNDED BONDS . . . The principal and interest due on the Refunded Bonds are to be paid on their respective redemption dates of such Refunded Bonds from funds to be deposited pursuant to a certain escrow agreement (the "Escrow Agreement") between the District and Zions Bancorporation, National Association, Houston, Texas (the "Escrow Agent"). The Order provides that from the proceeds of the sale of the Bonds received from the underwriters of the Bonds listed on the cover page hereof (the "Underwriters"), and other available District funds, if any, the District will deposit with the Escrow Agent the amount which, together with the Escrowed Securities (defined below) purchased with a portion of the Bond proceeds and the interest to be earned on such Escrowed Securities, will be sufficient to accomplish the discharge and final payment of the Refunded Bonds on their respective redemption dates. Such funds will be held by the Escrow Agent in a special escrow account (the "Escrow Fund") and used to purchase some or all of the following types of obligations: (a) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States, and/or (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 (the "Escrowed Securities"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Bonds.

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

By the deposit of the Escrowed Securities and cash with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of all of the Refunded Bonds in accordance with State law. As a result of such defeasance and in reliance upon the verification report of the Verification Agent, the Refunded Bonds will be outstanding only for the purpose of receiving payments from the Escrowed Securities and any cash held for such purpose by the Escrow Agent in the Escrow Fund and such Refunded Bonds will not be deemed as being outstanding obligations of the District payable from taxes nor for the purpose of applying any limitation on the issuance of debt. The District will have no further responsibility with respect to amounts available in the Escrow Fund for the payment of the Refunded Bonds from time to time, including any insufficiency

* Preliminary, subject to change.

therein caused by the failure of the Escrow Agent to receive payment when due on the Escrowed Securities. Upon defeasance of the Refunded Bonds, the payment of such Refunded Bonds will no longer be guaranteed by the corpus of the Permanent School Fund.

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds will be dated December 15, 2026. The Bonds will accrue interest from the Delivery Date, and such interest is payable initially on February 15, 2027, and on each August 15 and February 15 thereafter, until stated maturity or prior redemption. The Bonds will mature on the dates, in the principal amounts, and will bear interest at the rates set forth on page 2 of this Official Statement, and such interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Interest on the Bonds is payable to the registered owner appearing on the bond registration books of the Paying Agent/Registrar on the Record Date (as defined below) 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 prior redemption upon their presentation and surrender to the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments will be made as described under "THE BONDS - Book-Entry-Only System" herein.

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, New York, New York ("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 stated 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 issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including Chapter 1207 Texas Government Code, as amended, and an order (the "Bond Order") passed by the Board on November 9, 2026, in which the Board delegated to an officer of the District (the "Pricing Officer") authority to complete the sale of the Bonds through the execution of a "Pricing Certificate" (the Bond Order and 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. See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" herein. Additionally, the District has applied for and has received conditional approval for the payment of the Bonds to be guaranteed by 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 under the heading "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 of Texas. In the event of default, registered owners will receive all payments due on the Bonds from the corpus of the Permanent School Fund.

OPTIONAL REDEMPTION . . . The District reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 20__, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 20__, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

MANDATORY SINKING FUND REDEMPTION . . . If two or more serial bonds of consecutive maturities are combined into one or more "Term Bonds" by the Underwriters, such Term Bonds will be subject to mandatory sinking fund redemption in accordance with the provisions of the Order and as further set forth in the final Official Statement.

NOTICE OF REDEMPTION . . . At least 30 days prior to the date fixed for any such redemption of the Bonds, the District shall cause a written notice of such redemption to be deposited in the United States mail, first-class postage prepaid, addressed to each registered owner at the address shown on the Registration Books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice.

ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. UPON THE GIVING OF THE NOTICE OF REDEMPTION AND ANY OTHER CONDITION TO REDEMPTION SATISFIED, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND INTEREST ON SUCH BONDS OR

PORTION THEREOF SHALL CEASE TO ACCRUE, IRRESPECTIVE OF WHETHER SUCH BONDS ARE SURRENDERED FOR PAYMENT.

With respect to any optional redemption of the Bonds, unless moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption is conditional upon the receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon the satisfaction of any prerequisites set forth in such notice of redemption; and, if sufficient moneys are not received or such prerequisites are not satisfied, such notice shall be of no force and effect, the District shall not redeem such Bonds and the Paying Agent/Registrar shall 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 with respect to the Bonds 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 selected for redemption (see "BOOK-ENTRY-ONLY SYSTEM").

DEFEASANCE . . . The Order provides for the defeasance of the Bonds when the payment of such principal on the Bonds, plus interest on the Bonds to the due date thereof is provided by irrevocably depositing with the Paying Agent/Registrar or authorized escrow agent, in trust (1) money sufficient to make such payment and/or (2) Defeasance Securities to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds, and thereafter the District will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The Order provides that the term "Defeasance Securities" means any securities and Bonds now or hereafter authorized by State law that are eligible to discharge obligations such as the Bonds. The Pricing Officer may restrict such eligible securities and obligations as deemed appropriate. In the event the Pricing Officer restricts such eligible securities and obligations, the final Official Statement will reflect the new authorized Defeasance Securities. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The District has the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance.

There is no assurance that current Texas law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Order does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under Texas law. There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities or that for any other Defeasance Security will be maintained at any particular rating category.

After firm banking and financial arrangements for the defeasance of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or to take any action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the District: (i) in the proceedings providing for the defeasance of the Bonds, 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 such banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid and will cease to be outstanding obligations secured by the Order or treated as debt of the District for purposes of applying any limitation on the District's ability to issue debt or for any other purpose. After firm banking and financial arrangements for the discharge and final

payment of the Bonds have been made as described above, all rights of the District to take any action amending the terms of the Bonds are extinguished.

Upon defeasance, such defeased Bonds shall no longer be regarded to be outstanding or unpaid and the defeased Bonds will no longer be guaranteed by the Texas Permanent School Fund.

Amendments . . . In the Order, the District has reserved the right to amend the Order without the consent of any holder for the purpose of amending or supplementing the Order to (i) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the holders, (ii) grant additional rights or security for the benefit of the holders, (iii) add events of default as shall not be inconsistent with the provisions of the Order that do not materially adversely affect the interests of the holders, (iv) qualify the Order under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect or (v) make such other provisions in regard to matters or questions arising under the Order that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the District, do not materially adversely affect the interests of the holders.

The Order further provides that the holders of the Bonds aggregating in original principal amount a majority of outstanding Bonds that are the subject of a proposed amendment shall have the right from time to time to approve any amendment not described above to the Order if it is deemed necessary or desirable by the District; provided, however, that without the consent of 100% of the holders in original principal amount of the then outstanding Bonds, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Bonds; (ii) reducing the rate of interest borne by any of the outstanding Bonds; (iii) reducing the amount of the principal of, or redemption premium, if any, payable on any outstanding Bonds; (iv) modifying the terms of payment of principal or of interest or redemption premium on outstanding Bonds, or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Bonds necessary for consent to such amendment. Reference is made to the Order for further provisions relating to the amendment thereof.

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 payments on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York ("DTC"), while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District 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 stated 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 S&P Global Ratings 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 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.

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 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 Zions Bancorporation, National Association, Houston, Texas (the "Paying Agent/Registrar"). In the Order, the District retains the right to replace the Paying Agent/Registrar. The District covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid, and any successor Paying Agent/Registrar shall be a bank or trust company or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

In the event the Book-Entry-Only System should be discontinued, interest on the Bonds will be payable to the registered owner appearing on the bond registration books of the Paying Agent/Registrar on the Record Date (as defined below) and such interest shall be paid by the Paying Agent/Registrar (i) by check sent 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 prior redemption upon their presentation and surrender to the Paying Agent/Registrar. If the date for the payment of the principal of or interest 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. So long as Cede & Co. is the registered owner of the Bonds, payments of the principal and interest on the Bonds will be made as described in "THE BONDS – Book-Entry-Only System."

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. The Paying Agent/Registrar shall not be required to make any transfer or exchange with respect to Bonds (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date, provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for the interest payable on the Bonds 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 specifies events of default as the failure of the District to make payment of the principal of or interest on any of the Bonds when the same becomes due and payable or default in the performance or observance of any other covenant, agreement or obligation of the District, which failure materially, adversely affects the rights of the registered owners, including, but not limited to, their prospect or ability to be repaid in accordance with the Order, and the continuation thereof for a period of 60 days after notice of such default is given by any registered owner to the District. Upon an event of default, 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 Bondholders upon any failure of the District to perform in accordance with the terms of the Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court has ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. As a result, Bondholders may not be able to bring such a suit against the District for breach of the Bonds or Order covenants. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a

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

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

Sources of Funds		
Par Amount of the Bonds	$	-
Net Original Issue Premium		-
Total Sources of Funds	$	-
Uses of Funds		
Deposit with Escrow Agent	$	-
Costs of Issuance and Underwriters' Discount		-
Deposit to Debt Service Fund		-
Total Uses of Funds	$	-

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THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

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

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

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

CURRENT LITIGATION RELATING TO THE TEXAS PUBLIC SCHOOL FINANCE SYSTEM . . . On July 22, 2026, Midland Independent School District filed a suit in a district court of Travis County, Texas, styled Midland Independent School District, et al. v. Mike Morath, Commissioner of Education, (Cause No. D-1-GN-26-006002), against Mike Morath, in his official capacity as Commissioner of Education, and the State of Texas ("Morath II"). Morath II is an original action for declaratory judgment and challenges the constitutionality of the Finance System.

The District is not a party to this litigation, and at this time, the District is reviewing the same. The District can make no representations or predictions concerning the outcome of this litigation or the effect, if any, that this litigation may have on the Finance System, or on the District's financial condition, revenues, or operations. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" and "TAX RATE LIMITATIONS" herein.

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

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

OVERVIEW

The following language constitutes only a summary of the Finance System as it is currently structured. The information contained under the captions "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" and "TAX RATE LIMITATIONS" is subject to change and only reflects the District's understanding based on information available to the District as of the date of this Official Statement. Voter approval of constitutional amendments submitted to the voters at an election held on November 4, 2025 are noted below. See "– 2025 Legislative Session," below. For a more complete description of school finance and fiscal management in the State, reference is made to Chapters 43 through 49 of the Texas Education Code, as amended. Additionally, prospective investors are encouraged to review the Property Tax Code (as defined herein) for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the defined tax rates.

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

2025 LEGISLATIVE SESSION

The regular session of the 89th Texas Legislature commenced on January 14, 2025 and adjourned on June 2, 2025 (the "89th Regular Session"). The 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"). The Governor has called and the Legislature has concluded two special sessions since the conclusion of the 89th Regular Session.

During the 89th Regular Session, the Legislature adopted a general appropriations act and legislation affecting the Finance System and ad valorem taxation procedures and exemptions, and investments, among other legislation affecting school districts and the administrative agencies that oversee school districts. Legislation passed by both houses of the Legislature, signed by the Governor and approved by voters at a statewide election held on November 4, 2025 increased: (1) the State mandated general homestead exemption of the appraised value for all homesteads from $100,000 to $140,000, (2) the additional exemption on the residence homesteads of those at least sixty-five (65) years of age or older and the disabled from $10,000 to $60,000, and (3) the exemption for tangible personal property used in the "production of income" from $2,500 to $125,000. Additionally, both houses of the Legislature passed and the Governor signed legislation that authorized roughly $8.5 billion in funding for public schools and provides districts with a $55 per-student increase to their base funding beginning September 1, 2025, as well as provide districts with additional funding for teacher and staff salaries, educator preparation, special education, safety requirements and early childhood learning. Finally, legislation passed by the Legislature and signed into law by the Governor creates an education savings account program (commonly referred to as vouchers) for students that attend private schools or home school. The legislation became effective September 1, 2025, when the State fiscal biennium began, though families will not receive ESA funds until the 2026-2027 school year. The amount spent for purposes of the program for the 2025-2027 biennium may not exceed $1 billion. Beginning on September 1, 2027, the legislation requires the Legislature to reappropriate funds for the program for each subsequent State fiscal biennium. Such program could impact attendance in the District by incentivizing students to homeschool or attend private schools, which could negatively affect the District's attendance based funding. The District is still in the process of reviewing legislation passed during the 89th Regular Session and cannot make any representations as to the full impact of such legislation.

2027 LEGISLATIVE SESSION

The regular session of the 90th Texas Legislature is scheduled to commence on January 12, 2027.

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. Such distinctions are discussed under the subcaption "– Local Revenue Level in Excess of Entitlement" herein.

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

Maximum Compressed Tax Rate. The "Maximum Compressed Tax Rate" or the "MCR" is the tax rate per $100 of valuation of taxable property at which a school district must levy its Tier One Tax Rate (described below) to receive the full amount of the Tier One funding to which the school district is entitled. The MCR is equal to the lesser of two alternative calculations: (1) the "State Compression Percentage" (as discussed above) multiplied by $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 MCR is equal to the prior year MCR). However, each year the TEA shall evaluate the MCR for each school district in the State, and for any given year, if a school district's MCR is calculated to be less than 90% of any other school district's MCR for the current year, then the school district's MCR is instead equal to the school district's prior year MCR, until TEA determines that the difference between the school district's MCR and any other school district's MCR is not more than 10%. These compression formulas are intended to more closely equalize local generation of Tier One funding among districts with disparate tax bases and generally reduce the Tier One Tax Rates of school districts as property values increase. During the 2025 Legislative Sessions, the Legislature took action to reduce the maximum MCR for the 2025-2026 school year, establishing $0.6322 as the maximum rate and $0.5689 as the floor. For the 2026-2027 school year, the MCR was established with $0.6254 as the maximum rate and $0.5628 as the floor.

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

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

Enrichment Tax Rate. The Enrichment Tax Rate is the number of cents a school district levies for M&O in excess of the Tier One Tax Rate, up to an additional $0.17. The Enrichment Tax Rate is divided into two components: (i) "Golden Pennies" which are the first $0.08 of tax effort in excess of a school district's Tier One Tax Rate; and (ii) "Copper Pennies" which are the next $0.09 in excess of a school district's Tier One Tax Rate plus Golden Pennies. School districts may levy an Enrichment Tax Rate at a level of their choice, subject to the limitations described under "TAX RATE LIMITATIONS - Public Hearing and Voter Approval Tax Rate." However, to levy any of the Enrichment Tax Rate in a given year, a school district must levy a Tier One Tax Rate equal to the school district's MCR for such year. Additionally, a school district's levy of Copper Pennies is subject to compression if the guaranteed yield (i.e., the guaranteed level of local tax revenue and State aid generated for each cent of tax effort) of Copper Pennies is increased from one year to the next (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts – Tier Two").

STATE FUNDING FOR SCHOOL DISTRICTS

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

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

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

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

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

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

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

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

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

Existing Debt Allotment, Instruction Facilities Allotment, and New Instructional Facilities Allotment. The Foundation School Program also includes facilities funding components consisting of the IFA and the EDA, subject to legislative appropriation each State fiscal biennium. To the extent funded for a biennium, these programs assist school districts in funding facilities by, generally, equalizing a school district's I&S tax effort. The IFA guarantees each awarded school district a specified amount per student (the "IFA Yield") in State and local funds for each cent of I&S tax levied to pay the principal of and interest on eligible bonds issued to construct, acquire, renovate or improve instructional facilities. The IFA Yield has been $35 since the program first began in 1997. New awards of IFA are only available if appropriated funds are allocated for such purpose by the Legislature. To receive an IFA award, in years where new IFA awards are available, a school district must apply to the Education Commissioner in accordance with rules adopted by the TEA before issuing the bonds to be paid with IFA State assistance. The total amount of debt service assistance over a biennium for which a school district may be awarded is limited to the lesser of (1) the actual debt service payments made by the school district in the biennium in which the bonds are issued; or (2) the greater of (a) $100,000 or (b) $250 multiplied by the number of students in ADA. The IFA is also available for lease- purchase agreements and refunding bonds meeting certain prescribed conditions. Once a school district receives an IFA award for bonds, it is entitled to continue receiving State assistance for such bonds without reapplying to the Education Commissioner. A school district may

use additional state aid received from an IFA award only to pay the principal of and interest on the bonds for which the district received the aid. The guaranteed level of State and local funds per student per cent of local tax effort applicable to the bonds may not be reduced below the level provided for the year in which the bonds were issued. For the 2026-2027 State fiscal biennium, the Legislature did not appropriate any funds for new IFA awards; however, awards previously granted in years the Legislature did appropriate funds for new IFA awards will continue to be funded.

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

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

A school district may also qualify for a NIFA allotment, which provides assistance to school districts for operational expenses associated with opening new instructional facilities, or a renovated portion of an instructional facility to be used for the first time to provide high-cost and undersubscribed career and technology education programs, as determined by the Commissioner. In the 89th Regular Session, the Legislature appropriated funds in the amount of $150,000,000 for each fiscal year of the 2026-2027 State fiscal biennium for NIFA allotments.

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

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

LOCAL REVENUE LEVEL IN EXCESS OF ENTITLEMENT

A school district that has sufficient property wealth per student in ADA to generate local revenues on the school district's Tier One Tax Rate and Copper Pennies in excess of the school district's respective funding entitlements (a "Chapter 49 school district"), is subject to the local revenue reduction provisions contained in Chapter 49 of Texas Education Code, as amended ("Chapter 49"). Additionally, in years in which the amount of State funds appropriated specifically excludes the amount necessary to provide the guaranteed yield for Golden Pennies, local revenues generated on a school district's Golden Pennies in excess of the school district's respective funding entitlement are subject to the local revenue reduction provisions of Chapter 49. To reduce local revenue in excess of entitlement, Chapter 49 school districts are generally subject to a process known as "recapture," which requires a Chapter 49 school district to exercise certain options to remit local M&O tax revenues collected in excess of the Chapter 49 school district's funding entitlements to the State (for redistribution to other school districts) or otherwise expending the respective M&O tax revenues for the benefit of students in school districts that are not Chapter 49 school districts, as described in the subcaption "—Options for Local Revenue Levels in Excess of Entitlement," below. Chapter 49 school districts receive their allocable share of funds distributed from the constitutionally-prescribed Available School Fund, but are generally not eligible to receive State aid under the Foundation School Program, 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 Education Commissioner must reduce the school district's local revenue level to the level that would produce the school district's guaranteed entitlement, by detaching certain types of property from the school district and annexing the property to a property-poor school district or, if necessary, consolidate the school district with a property-poor school district. Provisions governing detachment and annexation of taxable property by the Education Commissioner do not provide for assumption of any of the transferring school district's existing debt.

CURRENT PUBLIC SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT

For the 2026-2027 fiscal year, the District was designated as an "excess local revenue" district by the TEA. Accordingly, the District is required to exercise one of the wealth equalization options permitted under applicable State law. The District intends to reduce its wealth per student, if needed, pursuant to Option 3, an agreement to purchase attendance credits pursuant to Chapter 49, Texas Education Code, as amended (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Revenue Level in Excess of Entitlement" herein).

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

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

AD VALOREM PROPERTY TAXATION

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

VALUATION OF TAXABLE PROPERTY . . . The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the District is the responsibility of the Smith County 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.

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.

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

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

STATE MANDATED HOMESTEAD EXEMPTIONS. . . State law grants, with respect to taxes levied for general elementary and secondary public school purposes, (1) a $140,000 exemption of the appraised value of all homesteads, (2) a $60,000 exemption of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled, and (3) various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

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

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

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

Legislation passed by the Legislature during the 89th Regular Session and approved by the voters provides a person 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. Such exemption is applicable from and after the 2026 tax year.

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

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

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

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

TEMPORARY EXEMPTION FOR QUALIFIED PROPERTY DAMAGED BY A DISASTER . . . The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the governor to be a disaster area following a disaster and is at least 15 percent physically damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. Except in situations where the territory is declared a disaster on or after the date the taxing unit adopts a tax rate for the year in which the disaster declaration is issued, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the governor declares the area to be a disaster area. The Texas Legislature amended Section 11.35, Property Tax Code, to clarify that "damage" for purposes of such statute is limited to "physical damage." For more information on the exemption, reference is made to Section 11.35 of the Tax Code, as amended.

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

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

TAX LIMITATION AGREEMENTS . . . The Texas Economic Development Act (Chapter 313, Texas Tax Code, as amended), allowed school districts to grant limitations on appraised property values to certain corporations and limited liability companies to encourage economic development within the school district. Generally, during the last eight (8) years of the ten-year term of a tax limitation agreement, a school district may only levy and collect M&O taxes on the agreed-to limited appraised property value. For the purposes of calculating its Tier One and Tier Two entitlements, the portion of a school district's property that is not fully taxable is excluded from the school district's taxable property values. Therefore, a school district will not be subject to a reduction in Tier One or Tier Two State funds as a result of lost M&O tax revenues due to entering into a tax limitation agreement (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts"). The 87th Texas Legislature did not vote to extend this program, which expired by its terms effective December 31, 2022.

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

In the 88th Legislative Session, House Bill 5 ("HB 5" or "The Texas Jobs, Energy, Technology, and Innovation Act") was adopted to create an economic development program, subject to state oversight, which would attract jobs and investment to Texas through school district property tax abatement agreements with businesses. HB5 was codified as Chapter 403, Subchapter T, Texas Government Code ("Chapter 403") and had an effective date of January 1, 2024. Under Chapter 403, a school district may offer a 50% abatement on taxable value for maintenance and operations property taxes for certain eligible projects, except that projects in a federally designated economic opportunity zone receive a 75% abatement. Chapter 403 also provides a 100%

abatement of maintenance and operations taxes for eligible property during a project's construction period. Taxable valuation for purposes of the debt service tax securing a series of bonds cannot be abated under Chapter 403. Eligible projects must involve manufacturing, dispatchable power generation facilities, technology research/development facilities, or critical infrastructure projects and projects must create and maintain jobs, as well as meet certain minimum investment requirements. The District is still in the process of reviewing Chapter 403 and cannot make any representations as to what impact, if any, Chapter 403 will have on its finances or operations.

For a discussion of how the various exemptions described above are applied by the District, see "TAX RATE LIMITATIONS – District Application of Tax Code" herein.

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. The Property Tax Code permits taxpayers owning homes or certain businesses located in a disaster area and damaged as a direct result of the declared disaster to pay taxes imposed in the year following the disaster in four equal installments without penalty or interest, commencing on February 1 and ending on August 1.

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

Except with respect to taxpayers who are 65 years of age or older, at any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property.

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

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

TAX RATE LIMITATIONS

M&O TAX RATE LIMITATIONS . . . The maximum voted M&O tax rate for the District is $1.50 per $100 of assessed valuation as approved by the voters at an election held on July 21, 1956 pursuant to Article 2784e-1, Texas Revised Civil Statues 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 "Public Hearing and Voter-Approval Tax Rate" herein).

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

Section 45.0031 of the Texas Education Code, as amended, requires a school district to demonstrate to the Texas Attorney General that it has the prospective ability to pay its maximum annual debt service on a proposed issue of bonds and all previously issued bonds, other than bonds approved by voters of a school district at an election held on or before April 1, 1991 and issued before September 1, 1992 (or debt issued to refund such bonds, collectively, "exempt bonds"), from a tax levied at a rate of $0.50 per $100 of assessed valuation before bonds may be issued (the "50-cent Test"). In demonstrating the ability to pay debt service at a rate of $0.50, a school district may take into account EDA and IFA allotments to the school district, which effectively reduces the school district's local share of debt service, and may also take into account Tier One funds allotted to the school district. If a school district exercises this option, it may not adopt an I&S tax until it has credited to the school district's I&S fund an amount equal to all State allotments provided solely for payment of debt service and any Tier One funds needed to demonstrate compliance with the threshold tax rate test and which is received or to be received in that year. Additionally, a school district may demonstrate its ability to comply with the 50-cent Test by applying the $0.50 tax rate to an amount equal to 90% of projected future taxable value of property in the school district, as certified by a registered professional appraiser, anticipated for the earlier of the tax year five (5) years after the current tax year or the tax year in which the final payment for the bonds is due. However, if a school district uses projected future taxable values to meet the 50-cent Test and subsequently imposes a tax at a rate greater than $0.50 per $100 of valuation to pay for bonds subject to the test, then for subsequent bond issues, the Texas Attorney General must find that the school district has the projected ability to pay principal and interest on the proposed bonds and all previously issued bonds subject to the 50-cent Test from a tax rate of $0.45 per $100 of valuation. Once the prospective ability to pay such tax has been shown and the bonds are issued, a school district may levy an unlimited tax to pay debt service. Refunding bonds issued pursuant to Chapter 1207, Texas Government Code, are not subject to the 50-cent Test; however, taxes levied to pay debt service on such bonds (other than bonds issued to refund exempt bonds) are included in maximum annual debt service for calculation of the 50-cent Test when applied to subsequent bond issues that are subject to the 50-cent Test. The Bonds are issued as refunding bonds pursuant to Chapter 1207 and are, therefore, not subject to the 50-cent Test; however, taxes levied to pay debt service on the Bonds are included in the calculation of the 50-cent Test as applied to subsequent issues of "new debt".

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

A school district is required to adopt its annual tax rate before the later of September 30 or the sixtieth (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 faith. Section 44.004(e) further provides the action to enjoin the collection of taxes must be filed before the date the school district delivers substantially all of its tax bills. A school district that elects to adopt a tax rate before the adoption of a budget for the fiscal year that begins in the current tax year may adopt a tax rate for the current tax year before receipt of the certified appraisal roll, so long as the chief appraiser of the appraisal district in which the school district participates has certified to the assessor for the school district an estimate of the taxable value of property in the school district. If a school district adopts its tax rate prior to the adoption of its budget, both the no-new-revenue tax rate and the Voter-Approval Tax Rate of the school district shall be calculated based on the school district's certified estimate of taxable value. A school district that adopts a tax rate before adopting its budget must hold a public hearing on the proposed tax rate followed by another public hearing on the proposed budget rather than holding a single hearing on the two items.

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

DISTRICT APPLICATION OF TAX CODE . . . The State mandates exemptions of $140,000 for general homestead and an additional homestead exemption of $60,000 for persons who are aged 65 and over or disabled.

The Appraisal District has the responsibility for appraising property in the District as well as other taxing units in Smith County.

The District does not collect its own taxes.

Split payments are not permitted. Discounts are not permitted.

The District has not granted any tax abatements.

The District does not participate in any tax increment financing zones.

The District does not grant a portion of the additional local option exemption of up to 20% of the market value of residence homesteads.

The District does not grant a local option homestead exemption to the residence homesteads of persons 65 years of age or older.

The District does not tax non-business personal property.

The District has granted the freeport property exemption.

The District has not elected to tax goods-in-transit.

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FINANCIAL INFORMATION OF THE DISTRICT

TABLE 1 - VALUATION, EXEMPTIONS AND TAX SUPPORTED DEBT (EXCLUDING TOTALLY EXEMPT PROPERTY)

2026/27 Market Valuation Established by the Smith County Appraisal District		$ 5,276,238,984
Less Exemptions/Reductions at 100% Market Value:		
Homestead Exemption (State Mandated)	$ 940,798,979	
Homestead Exemptions (Over-65 or Disabled)	152,542,857	
Low Income Exemption	5,041,075	
Solar/Wind Exemption	266,769	
Pollution Control Exemption	570,171	
Circuit Breaker Limitation	93,628,469	
Disabled Veterans Exemption	54,219,431	
Productivity Loss	302,328,903	
Freeport Exemptions	75,401,679	
Capped Value Loss	123,967,764	
Miscellaneous Exemptions	42,490,521	
		(1,791,256,618)
2026/27 Taxable Assessed Valuation		$ 3,484,982,366
Total Debt Payable from Ad Valorem Taxes		
Outstanding Debt [(1)]	$ 10,355,000	
The Bonds [(2)]	76,770,000	
Total Debt Payable from Ad Valorem Taxes		$ 87,125,000
Ratio Tax Supported Debt to Taxable Assessed Valuation		2.50%

2027 Estimated Population - 27,595
Per Capita Ad Valorem Taxable Assessed Valuation - $126,290
Per Capita Debt Payable from Ad Valorem Taxes - $3,157

(1) Excludes the Refunded Bonds. Preliminary; subject to change.
(2) Preliminary; subject to change.

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TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Taxable Appraised Value for Fiscal Year Ended August 31,					
	2027		2026		2025	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 3,160,852,392	59.91%	$ 3,011,914,451	58.81%	$ 2,885,462,646	61.17%
Real, Residential, Multi-Family	289,245,789	5.48%	315,541,726	6.16%	253,018,621	5.36%
Real, Vacant Lots/Tracts	90,792,775	1.72%	103,553,397	2.02%	70,233,390	1.49%
Real, Acreage (Land Only)	304,099,890	5.76%	283,885,784	5.54%	281,854,858	5.97%
Real, Farm and Ranch Improvements	377,730,742	7.16%	352,120,448	6.88%	322,964,166	6.85%
Real, Commercial	432,545,464	8.20%	421,519,312	8.23%	351,027,270	7.44%
Real, Industrial	101,351,150	1.92%	96,108,490	1.88%	69,719,835	1.48%
Real, Oil, Gas & Other Minerals	1,264,275	0.02%	1,448,507	0.03%	2,304,343	0.05%
Real and Tangible Personal, Utilities	99,317,798	1.88%	95,304,209	1.86%	61,155,764	1.30%
Tangible Personal, Commercial	136,963,561	2.60%	169,593,287	3.31%	121,250,315	2.57%
Tangible Personal, Industrial	241,944,261	4.59%	235,632,219	4.60%	262,638,041	5.57%
Tangible Personal, Mobile Homes	29,633,511	0.56%	30,055,194	0.59%	30,809,683	0.65%
Residential/Special Inventory	10,497,376	0.20%	4,579,071	0.09%	4,955,589	0.11%
Total Appraised Value Before Exemptions	$ 5,276,238,984	100.00%	$ 5,121,256,095	100.00%	$ 4,717,394,521	100.00%
Less: Total Exemptions/Reductions	(1,791,256,618)		(1,709,753,600)		(1,327,463,468)	
Taxable Assessed Value	$ 3,484,982,366		$ 3,411,502,495		$ 3,389,931,053	

	Taxable Appraised Value for Fiscal Year Ended August 31,			
	2024		2023	
Category	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 2,724,442,492	61.87%	$ 2,176,008,668	59.80%
Real, Residential, Multi-Family	174,571,743	3.96%	138,802,915	3.81%
Real, Vacant Lots/Tracts	65,936,439	1.50%	59,624,124	1.64%
Real, Acreage (Land Only)	281,185,307	6.39%	278,731,480	7.66%
Real, Farm and Ranch Improvements	305,536,341	6.94%	259,512,978	7.13%
Real, Commercial	309,049,579	7.02%	296,887,842	8.16%
Real, Industrial	68,896,555	1.56%	58,029,547	1.59%
Real, Oil, Gas & Other Minerals	6,009,427	0.14%	3,556,395	0.10%
Real and Tangible Personal, Utilities	58,927,913	1.34%	61,513,607	1.69%
Tangible Personal, Commercial	116,764,810	2.65%	103,721,366	2.85%
Tangible Personal, Industrial	250,359,101	5.69%	164,071,580	4.51%
Tangible Personal, Mobile Homes	32,619,957	0.74%	31,371,806	0.86%
Residential/Special Inventory	8,899,327	0.20%	6,816,629	0.19%
Total Appraised Value Before Exemptions	$ 4,403,198,991	100.00%	$ 3,638,648,937	100.00%
Less: Total Exemptions/Reductions	(1,304,326,319)		(719,765,192)	
Taxable Assessed Value	$ 3,098,872,672		$ 2,918,883,745	

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

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TABLE 3 - VALUATION AND TAX SUPPORTED DEBT HISTORY

Fiscal Year Ended 8/31	Estimated District Population [1]	Taxable Assessed Valuation [2]	Per Capita Taxable Assessed Valuation	Tax Supported Debt Outstanding at End of Fiscal Year	Ratio of Tax Supported Debt to Taxable Assessed Valuation	Tax Supported Debt Per Capita
2023	28,692	$ 2,918,883,745	$ 101,732	$ 98,970,000	3.39%	$ 3,449
2024	27,818	3,098,872,672	111,398	95,990,000	3.10%	3,451
2025	27,257	3,389,931,053	124,369	92,780,000	2.74%	3,404
2026	27,595	3,411,502,495	123,628	89,325,000	2.62%	3,237
2027	27,595	3,484,982,366	126,290	82,475,000 [3]	2.37% [3]	2,989 [3]

(1) Source: the Municipal Advisory Council of Texas.
(2) As reported by the Smith County Appraisal District. Subject to change during the ensuing year.
(3) Excludes the Refunded Bonds and includes the Bonds. Preliminary; subject to change.

TABLE 4 - TAX RATE, LEVY & COLLECTION HISTORY

Fiscal Year Ended 8/31	Tax Rate	Distribution		Tax Levy	% of Current Collections	% of Total Collections
		Local Maintenance	Interest and Sinking Fund			
2023	$ 1.1326	$ 0.8646	$ 0.2680	$ 32,265,635	97.15%	97.89%
2024	0.9272	0.6992	0.2280	28,331,830	89.33%	89.98%
2025	0.9249	0.7469	0.1780	28,430,680	98.29%	98.54%
2026	0.9649	0.7869	0.1780	32,917,588	87.61%	88.13%
2027	0.9649	0.7845	0.1804	33,626,595	N/A [1]	N/A [1]

(1) In process of collections.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2025/26 Taxable Assessed Valuation	% of Taxable Assessed Valuation
Trane Co/American Standard Inc.	Air Conditioner Manufacturer	$ 217,496,563	6.38%
Wayfare Cumberland Park LLC	Apartment Complex	66,554,608	1.95%
Tyler Broadway/Centennial LP	Shopping Center	62,101,053	1.82%
Oncor Electric Delivery Co.	Utility	40,633,817	1.19%
Atmos Energy/Mid-Tex Pipeline	Pipeline Real Estate	33,071,666	0.97%
Sreit Stonebrook Tyler LLC	Apartment Complex	23,382,199	0.69%
Tyler Skilled Nursing Facility	Assisted Living	21,760,178	0.64%
SCM RE Tyler LLC	Apartment Complex	20,178,839	0.59%
1717 Shiloh Road Partners LLC	Apartment Complex	14,000,000	0.41%
NS MF Partners-Tyler LLC	Commercial	13,660,208	0.40%
		$ 512,839,131	15.03%

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 Body	Amount	As of	% Overlap	$ Overlap
Smith County	$ 221,005,000	10/31/26	13.27%	$ 29,327,364
Whitehouse, City of	30,017,000	10/31/26	100.00%	30,017,000
Total Net Overlapping Debt	$ 251,022,000			$ 59,344,364
Whitehouse ISD	$ 87,125,000 (1)		100.00%	$ 87,125,000 (1)
	Total Direct and Overlapping Debt			$ 146,469,364
Ratio of Direct and Overlapping Debt to Net Taxable Valuation				4.20%
Per Capita Direct and Overlapping Debt				$ 5,308

(1) Excludes the Refunded Bonds and includes the Bonds. Preliminary; subject to change.

TABLE 7 - DEBT SERVICE REQUIREMENTS

Fiscal Year	Outstanding Debt (1)			The Bonds (2)			Total
Ending 8/31	Principal	Interest	Total	Principal	Interest	Total	Debt Service
2027	$ 3,660,000	$ 349,875	$ 4,009,875	$ 990,000	$ 2,538,378	$ 3,528,378	$ 7,538,253
2028	-	267,800	267,800	3,575,000	3,738,125	7,313,125	7,580,925
2029	-	267,800	267,800	3,800,000	3,553,750	7,353,750	7,621,550
2030	-	267,800	267,800	4,035,000	3,357,875	7,392,875	7,660,675
2031	-	267,800	267,800	4,280,000	3,150,000	7,430,000	7,697,800
2032	-	267,800	267,800	4,540,000	2,929,500	7,469,500	7,737,300
2033	-	267,800	267,800	4,825,000	2,695,375	7,520,375	7,788,175
2034	-	267,800	267,800	5,115,000	2,446,875	7,561,875	7,829,675
2035	-	267,800	267,800	5,420,000	2,183,500	7,603,500	7,871,300
2036	-	267,800	267,800	5,740,000	1,904,500	7,644,500	7,912,300
2037	-	267,800	267,800	6,035,000	1,610,125	7,645,125	7,912,925
2038	-	267,800	267,800	6,345,000	1,300,625	7,645,625	7,913,425
2039	-	267,800	267,800	6,670,000	975,250	7,645,250	7,913,050
2040	1,875,000	230,300	2,105,300	5,130,000	673,838	5,803,838	7,909,138
2041	2,225,000	148,300	2,373,300	5,135,000	404,381	5,539,381	7,912,681
2042	2,595,000	51,900	2,646,900	5,135,000	134,794	5,269,794	7,916,694
TOTAL	$ 10,355,000	$ 3,993,975	$ 14,348,975	$ 76,770,000	$ 33,596,890	$ 110,366,890	$ 124,715,865

(1) Excludes the Refunded Bonds. Preliminary; subject to change.
(2) Preliminary; subject to change.

TABLE 8 - INTEREST & SINKING FUND BUDGET PROJECTION

Tax Supported Debt Service Requirements, Fiscal Year Ending 8/31/2027		$ 7,538,253 [1]
Interest and Sinking Fund Balance, 8/31/2026 [2]	$ 1,345,659	
Calculated Interest and Sinking Fund Tax Levy	6,203,269	
Total Available Funds		7,548,928
Estimated Fund Balance 8/31/2027		$ 10,675

(1) Excludes the Refunded Bonds. Preliminary; subject to change.
(2) Unaudited.

TABLE 9 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION DEBT

The District does not have any authorized but unissued debt.

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

TABLE 10 - OTHER OBLIGATIONS

As of August 31, 2026, the leases entered into agreement with the District are as follows:

Agreements with DataMax for District-wide copiers; monthly payments of $8,652; lease liability measured using a discount rate of 5.50%; inception of the lease is August 2022 with 60 monthly payments ending July 2027.

The future minimum lease obligations and the net present value of these minimum lease payments as of August 31, 2026, were as follows:

Fiscal Year Ending 8/31	Right-to-Use Leases		
	Principal	Interest	Total
2027	92,609	2,566	95,175
	$ 92,609	$ 2,566	$ 95,175

SBITA - The District has entered into subscription-based agreements. The agreements qualify under GASB 96 and therefore, have been recorded at the present value of the future minimum payments as of the date of their inception. There were no payments recorded in the current year that were not included in the measurement of the SBITA liability, no commitments prior to the commencement of the contract, and no SBITA impairments as of August 31, 2026.

The SBITA agreements with the District are at follows:

Agreement with Imagine Learning for Edgenuity online digital library; three annual payments of $41,349; liability measured using a discount rate of 7.5%; inception date of 8/21/2025 for a period of 36 months.

Agreement with Engage Premium for cloud-based management system; three annual payments of $26,017; one time implementation fee of $1,350; liability measured using a discount rate of 8.5%; inception date of 9/01/2023 for a period of 36 months.

Agreement with BitDefender for Gravity Zone Bus Security; annual payments of $16,611, $22,148, and $5,537; liability measured using a discount rate of 7.5%; inception date of 12/20/2022 for a period of 36 months.

Year Ending 8/31	SBITA Agreements		
	Principal	Interest	Total
2027	$ 36,003	$ 5,345	$ 41,348
2028	35,258	2,644	37,902
	$ 71,261	$ 7,989	$ 79,250

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 of Texas 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 District's funding policy and contributions in connection with the System, see "the District's Annual Financial Report"—Note G.

HEALTH CARE COVERAGE – RETIREES ACTIVE EMPLOYEES

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit post-employment health care plan administered by the Texas retirement System of Texas. For more information concerning The district's funding policy and contributions in connection with TRS-Care, see the District's Annual Financial Report - Note H.

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TABLE 11 - CHANGES IN NET POSITION

	Fiscal Years Ended August 31,				
Program Revenue	2025	2024	2023	2022	2021
Charges for Services	$ 1,502,374	$ 1,344,327	$ 1,299,694	$ 826,112	$ 775,846
Operating Grants & Contributions	5,744,797	9,287,455	9,357,271	8,109,664	7,475,797
General Revenues					
Property Taxes	28,047,053	25,486,641	31,681,407	30,468,316	29,790,414
State Aid -Formula Grants	25,233,588	27,514,165	19,422,583	19,396,320	19,106,004
Grants & Contributions Not Restricted	333,101	1,246,909	1,293,073	474,611	444,013
Investment Earnings	1,055,721	1,245,726	1,051,527	130,144	45,366
Miscellaneous	454,230	532,833	749,876	410,559	354,658
Special Item - Sale/Exchange of Property		-	-	145,277	232,020
Total Revenue	$ 62,370,864	$ 66,658,056	$ 64,855,431	$ 59,961,003	$ 58,224,118
Expenses					
Instruction, Curriculum, & Media Services	$ 34,690,726	$ 34,699,173	$ 33,038,945	$ 31,173,488	$ 32,657,620
Instructional & School Leadership	3,760,475	3,787,337	3,579,788	3,195,432	3,462,886
Student Support Services	5,622,571	5,808,501	5,365,181	4,750,892	4,264,997
Food Services	3,187,011	3,305,340	3,006,209	2,883,294	2,474,287
Extracurricular Activities	3,171,195	3,247,866	3,083,765	2,879,933	2,739,426
General Administration	2,678,658	2,554,344	2,392,927	2,002,696	2,087,126
Plant Maintenance, Security, & Data Processing	8,745,457	10,028,394	7,456,586	8,595,129	6,055,943
Community Services	7,972	7,191	8,886	7,328	20,315
Debt Service	3,730,829	3,819,897	3,913,194	3,971,007	4,032,504
Capital Outlay	12,832	5,332	5,331	-	100,852
Payments Related to Shared Services	183,492	137,245	136,375	124,495	123,057
Intergovernmental Charges	427,626	444,974	435,596	430,973	431,260
Total Expenses	$ 66,218,844	$ 67,845,594	$ 62,422,783	$ 60,014,667	$ 58,450,273
Increase (Decrease) in Net Position	$ (3,847,980)	$ (1,187,538)	$ 2,432,648	$ (53,664)	$ (226,155)
Beginning Net Position	(16,284,139)	(15,096,601)	(17,529,249)	(17,475,585)	(17,249,430)
Prior Period Adjustment	(2,730,185)	-	-	-	-
Ending Net Position	$ (22,862,304)	$ (16,284,139)	$ (15,096,601)	$ (17,529,249)	$ (17,475,585)

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TABLE 11A - GENERAL FUND RESERVES AND EXPENDITURES HISTORY

	Fiscal Years Ended August 31,				
	2025	2024	2023	2022	2021
Revenues:					
Total Local and Intermediate Sources	$ 23,959,448	$ 20,577,326	$ 25,515,783	$ 23,760,620	$ 23,012,931
State Program Revenues	27,383,363	29,055,214	21,607,050	21,643,864	21,259,201
Federal Program Revenue	333,101	1,246,909	1,293,073	474,611	443,992
Total Revenues	$ 51,675,912	$ 50,879,449	$ 48,415,906	$ 45,879,095	$ 44,716,124
Expenditures:					
Instruction	$ 28,567,193	$ 27,296,826	$ 26,081,654	$ 26,616,440	$ 25,379,611
Instructional Resources and Media Services	762,691	768,589	736,393	716,376	715,994
Curriculum & Instructional Staff Development	909,719	914,573	844,104	836,080	909,820
Instructional and School Leadership	3,560,452	3,360,228	3,226,454	3,037,168	3,046,432
Guidance, Counseling and Evaluation Services	2,203,031	1,607,250	1,160,912	1,191,333	1,571,388
Health Services	628,226	636,625	489,696	480,828	536,159
Student (Pupil) Transportation	2,527,537	1,967,692	1,821,425	1,390,745	1,139,609
Extracurricular Activities	2,142,362	2,083,815	2,013,345	1,905,923	1,795,024
General Administration	2,653,974	2,404,096	2,238,950	2,000,270	1,862,872
Facilities Maintenance and Operations	5,901,398	6,884,582	5,248,336	5,070,980	4,467,662
Security and Monitoring Services	1,207,684	1,312,178	701,535	519,595	497,578
Data Processing Services	966,570	764,052	602,607	588,873	534,643
Community Services	2,985	257	594	1,157	2,031
Debt Service	138,952	209,416	184,836	73,050	-
Payments to Shared Services Arrangements	179,792	133,545	132,675	120,795	119,357
Other Intergovernmental	427,626	444,974	435,596	430,973	431,260
Total Expenditures	$ 52,780,192	$ 50,788,698	$ 45,919,112	$ 44,980,586	$ 43,009,440
Excess of Revenues Over (Under) Expenditures	$ (1,104,280)	$ 90,751	$ 2,496,794	$ 898,509	$ 1,706,684
Other Resources					
Sale of Real and Personal Property	$ 43,755	$ 60,780	$ 21,244	$ 1,700	$ 21,301
Net Transfers In (Out)	(134,896)	(41,043)	(1,763,691)	(362,361)	(1,661,818)
Other Resources	-	73,447	-	-	-
Fund balances on September 1	13,026,806	12,842,871	12,109,768	11,571,920	11,505,753
Fund Balance on August 31 [1]	$ 11,831,385	$ 13,026,806	$ 12,842,871	$ 12,109,768	$ 11,571,920

(1) For Fiscal Year Ended August 31, 2026, the District expects an estimated fiscal year ending balance of approximately $13,850,232 (unaudited).

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INVESTMENT AUTHORITY AND PRACTICES OF THE DISTRICT

Under State law, the District is authorized to make investments meeting the requirements of the PFIA, which currently include Under Texas law, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas 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 is unconditionally guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") 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 FDIC or the National Credit Union Share Insurance Fund, or their respective successors; (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 investing entity 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 this state that the investing entity 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 investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3; (9) certificates of deposit and share certificates meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended)(the "PFIA") (i) that are issued by or through an institution that has its main office or a branch office in Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and amount provided by law for District deposits; or (ii) where (a) the funds are invested by the District through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the District as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas 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 United States Securities and Exchange Commission 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 fully secured by a combination of cash and obligations described in clause (1) which are pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the value of the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less; (12) 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; (13) commercial paper with a stated maturity of 270 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 U.S. or state bank; (14) no-load money market mutual funds registered with and regulated by the United States Securities and Exchange Commission 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.) and that provide the investing entity with a prospectus and other information required by the Securities Exchange Act of 1934; (15) no-load mutual funds registered with the United States Securities and Exchange Commission that have an average weighted maturity of less than two years, and either: (i) have a duration of one year or more and are invested exclusively in obligations described in this paragraph or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities; and (16) aggregate repurchase agreement transactions entered into by an investing entity in conformity with the provisions of subsections (a-1), (f) and (g) of Section 2256.011 of the PFIA. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract and are pledged to the District and deposited with the District or with a third party selected and approved by the District.

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.

Under State law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for District funds, the maximum allowable stated maturity of any individual investment, 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 PFIA. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under State law, the District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and probable income to be derived." At least quarterly the District's investment officers must submit an investment report to the Board detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and the fully accrued interest during the reporting period 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 strategies and (b) State law. No person may invest District funds without express written authority from the Board.

ADDITIONAL PROVISIONS . . . Under State law, the District is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a 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 entity to disclose the relationship and file a statement with the Texas Ethics Commission and the Board; (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.

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TABLE 12 - CURRENT INVESTMENTS

As of November 5, 2026, funds were invested as follows:

Type of Investment	Market Value	% of Portfolio
Investment Pools	$ 16,005,278	79.09%
Money Market Accounts	4,232,097	20.91%
Totals	$ 20,237,375	100.00%

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TAX MATTERS

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

In rendering its opinion, Bond Counsel to the District will rely upon (a) the District's federal tax certificate, (b) the Sufficiency Certificate, (c) covenants of the District with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters, and (d) the certificate with respect to arbitrage by the Commissioner of Education regarding the allocation and investment of certain investments in the Permanent School Fund. Failure by the District to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CONTINUING DISCLOSURE INFORMATION

In the Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of 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 all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under Tables numbered 1 through 5 and 7 through 12 and in Appendix B, which is the District's annual audited financial report. The District will update and provide the information in the numbered tables ("annual financial information") within six months after the end of each fiscal year ending in and after 2026 and, if not submitted as part of such annual financial information, the District will provide audited financial statements when and if available, and in any event, within 12 months after the end of each fiscal year. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the District will file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year ending in and after 2026, when and if the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation.

The District's current fiscal year end is August 31. Accordingly, the District must provide updated information included in the above-referenced tables by the last day of February in each year, and audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available) must be provided by August 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will file notice of the change (and of the date of the new fiscal year end) with the MSRB prior to the next date by which the District otherwise would be required to provide financial information and operating data as set forth above.

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

NOTICE OF CERTAIN EVENTS . . . The District shall provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner and not more than 10 business days after the occurrence of the event: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District (as defined by the Rule, which includes certain debt, debt-like, and debt-related obligations), if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such 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 any such financial obligation of the District, any of which reflect financial difficulties.

For these purposes, any event described in clause (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District. Additionally, the District intends the words used in clauses (15) and (16) of the preceding paragraph and the definition of "financial obligation" in these clauses 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. "Financial Obligation" is defined in the Order as a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "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 the Rule) has been provided to the MSRB consistent with the Rule. Neither the Bonds nor the Order make any provision for debt service reserves or liquidity enhancement or credit enhancement (except with respect to the Permanent School Fund Guarantee). 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. . . 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 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 from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell the Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the District so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . During the 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.

OTHER INFORMATION

RATINGS

The Bonds are rated "AAA" by S&P Global Ratings ("S&P") by virtue of the guarantee of the Permanent School Fund of the State of Texas. The Bonds and the presently outstanding tax supported debt of the District are rated “AA-" by S&P without regard to credit enhancement. An explanation of the significance of such ratings may be obtained from the company furnishing the ratings. The ratings reflect only the views of such organization and the District makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

LITIGATION

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

CYBERSECURITY RISKS

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

WEATHER EVENTS

The District is located in East 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.

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 other jurisdiction. The District assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least $1 million of capital, and savings and loan associations. In accordance with the 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 of Texas to be authorized to invest in the Bonds, except for purchases for interest and sinking funds of such entities. See "OTHER INFORMATION -- Ratings" herein. Moreover, municipalities or other political subdivisions or public agencies of the State of Texas 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 delivery of the Bonds is subject to the approval of the Attorney General of Texas, who will deliver its opinion, to the effect that the Bonds are valid and legally binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property in the District, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, which will deliver its opinion to the effect that the Bonds are valid and legally binding obligations of the District and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on certain corporations. Bond Counsel also advises the TEA in connection with its disclosure obligations under the federal securities laws, but Bond Counsel has not passed upon any TEA disclosures contained in this Official Statement. The form of Bond Counsel's opinion is attached hereto as Appendix C. Though it may represent the Financial Advisor and the Underwriters from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the District in connection with the issuance of the Bonds. 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 to the Underwriters. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under the captions and subcaptions "PLAN OF FINANCING," "THE BONDS" (excluding the information under the subcaptions "Permanent School Fund Guarantee," "Book-Entry-Only System," "Bondholders' Remedies," "Sources and Uses of Proceeds" and the last paragraph under "Notice of Redemption"), "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS", "CURRENT PUBLIC SCHOOL FINANCE SYSTEM", "TAX RATE LIMITATIONS" (first paragraph only under "M&O Tax Rate Limitations"), "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. Certain legal matters will be passed upon for the Underwriters by their counsel Norton Rose Fulbright US LLP, 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.

FINANCIAL ADVISOR

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

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

UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the District, at 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.

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

The Underwriters and their 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.

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.

RBC Capital Markets, LLC (“RBCCM”), an underwriter of the Bonds, has entered into a distribution arrangement with its affiliate RBC Securities, Inc. (“RBC Securities”) (formerly known as “City National Securities, Inc.”). As part of this arrangement, RBCCM may distribute municipal securities to investors through the financial advisor network of RBC Securities. As part of this arrangement, RBCCM may compensate RBC Securities for its selling efforts with respect to the Bonds.

VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS

The Verification Agent will deliver to the District, on or before the settlement date of the Bonds, its verification report indicating that it has verified the mathematical accuracy of the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Escrowed Securities, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Bonds. Such verification will be relied upon by Bond Counsel in rendering its opinion with respect to defeasance of the Refunded Bonds.

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

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

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

MISCELLANEOUS

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

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

Pricing Officer
Whitehouse Independent School District

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SCHEDULE I

SCHEDULE OF REFUNDED BONDS*

Unlimited Tax Refunding Bonds, Series 2016

Original Dated Date	Original Maturity (2/15)		Interest Rate	Principal Amount Outstanding	Refunded	Unrefunded	Call Date	Call Price
November 1, 2016	2027		4.000%	$ 1,885,000	$ -	$ 1,885,000.00		
	2028		4.000%	1,985,000	1,985,000	-	12/22/2026	100%
	2029		4.000%	2,090,000	2,090,000	-	12/22/2026	100%
	2030		4.000%	2,210,000	2,210,000	-	12/22/2026	100%
	2031		4.000%	2,300,000	2,300,000	-	12/22/2026	100%
	2032		4.000%	2,390,000	2,390,000	-	12/22/2026	100%
				$ 12,860,000	$ 10,975,000	$ 1,885,000.00		

Unlimited Tax School Building Bonds, Series 2017

Original Dated Date	Original Maturity (2/15)		Interest Rate	Principal Amount Outstanding	Refunded	Unrefunded	Call Date	Call Price
March 15, 2017	2027		5.000%	$ 1,775,000	$ -	$ 1,775,000.00		
	2028		5.000%	1,880,000	1,880,000	-	2/15/2027	100%
	2029		4.000%	1,985,000	1,985,000	-	2/15/2027	100%
	2030		4.000%	2,070,000	2,070,000	-	2/15/2027	100%
	2031		5.000%	2,205,000	2,205,000	-	2/15/2027	100%
	2032		5.000%	2,365,000	2,365,000	-	2/15/2027	100%
	2033		5.000%	5,025,000	5,025,000	-	2/15/2027	100%
	2034		5.000%	5,325,000	5,325,000	-	2/15/2027	100%
	2035		4.000%	5,610,000	5,610,000	-	2/15/2027	100%
	2036		5.000%	5,910,000	5,910,000	-	2/15/2027	100%
	2037		5.000%	6,215,000	6,215,000	-	2/15/2027	100%
	2038		5.000%	6,535,000	6,535,000	-	2/15/2027	100%
	2039		5.000%	6,870,000	6,870,000	-	2/15/2027	100%
	2040	(1)	5.000%	5,335,000	5,335,000	-	2/15/2027	100%
	2041	(1)	5.000%	5,335,000	5,335,000	-	2/15/2027	100%
	2042	(1)	5.000%	5,330,000	5,330,000	-	2/15/2027	100%
	2040	(2)	4.000%	1,875,000	-	1,875,000.00		
	2041	(2)	4.000%	2,225,000	-	2,225,000.00		
	2042	(2)	4.000%	2,595,000	-	2,595,000.00		
				$ 76,465,000	$ 67,995,000	$ 8,470,000.00		

* Preliminary, subject to change.
(1) Represents a 5.000% term bond scheduled to mature February 15, 2042.
(2) Represents a 4.000% term bond scheduled to mature February 15, 2042.

APPENDIX A

GENERAL INFORMATION REGARDING THE DISTRICT

THE DISTRICT

The District is located in Smith County in East Texas near the City of Tyler. The area's economy is based on manufacturing. The City of Whitehouse, a residential suburb of the City of Tyler, is located within the District on State Highway 110. Many residents of the City are also employed in the cities of Tyler and Longview. The City's 2025 estimated population was 113,030.

Smith County is located in northeast Texas and was created in 1846. The economy is diversified by manufacturing, agribusiness, oil production and education. Principal sources of agricultural income include roses, horticultural crops, cattle and fruit. The County seat is Tyler.

DISTRICT ENROLLMENT

School Year	Enrollment	Average Daily Attendance
2021-22	4,906	4,612
2022-23	4,916	4,600
2023-24	4,826	4,460
2024-25	4,676	4,321
2025-26	4,847	4,495

Source: The District

CAMPUS INFORMATION

Campus	Number of Schools	Capacity	Number of Portables
Elementary School	4	2,950	0
Sixth Grade Campus	1	650	0
Junior High	1	900	0
High Schools	1	1,600	0
Totals	7	6,100	0

SCHOOL AND EMPLOYEE INFORMATION

Employee Information:	
Number of Employees:	888
Number of Teachers:	339
Number of Teachers with Doctorates Degrees:	2
Number of Teachers with Masters Degrees:	162
Number of Teachers with Bachelors Degrees:	175
Teacher/Pupil Ratio:	
Elementary School	1:17.5
Sixth Grade Campus	1:19.3
Junior High	1:15.1
High Schools	1:15.1

EMPLOYMENT DATA

	Annual Averages				
	2025	2024	2023	2022	2021
Smith County					
Civilian Labor Force	121,308	118,284	115,542	112,477	110,186
Total Employment	116,484	113,749	111,250	108,223	104,470
Unemployment	4,824	4,535	4,292	4,254	5,716
Percent Unemployment	4.0%	3.8%	3.7%	3.8%	5.2%
State of Texas					
Civilian Labor Force	15,883,632	15,608,932	15,217,552	14,741,150	14,319,776
Total Employment	15,218,369	14,971,373	14,608,665	14,159,995	13,512,599
Unemployment	665,263	637,559	608,887	581,155	807,177
Percent Unemployment	4.2%	4.1%	4.0%	3.9%	5.6%

Source: Texas Workforce Commission

APPENDIX B

EXCERPTS FROM THE

WHITEHOUSE INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

For the Year Ended August 31, 2025

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

SQUYRES & CO
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Whitehouse Independent School District
104 Hwy 110 N
Whitehouse, Texas 75791

Members of the Board:

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 Whitehouse Independent School District (the District) as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and aggregate remaining fund information of the District as of August 31, 2025, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund 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* (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement issuance 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 GAS will always detect a material misstatement when it exists. The risk of not detecting a

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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 GAS, 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 the management's discussion and analysis on pages 7 through 16 and Exhibits G-1 to G-4 on pages 67 to 74 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The TEA Required Schedules: Exhibits J-1, J-2, J-3, and J-4, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2026, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.

Squyres & Co. LLP

Certified Public Accountants

Tyler, Texas
January 12, 2026

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Whitehouse Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2025. Please read it in conjunction with the District's financial statements that follow this section.

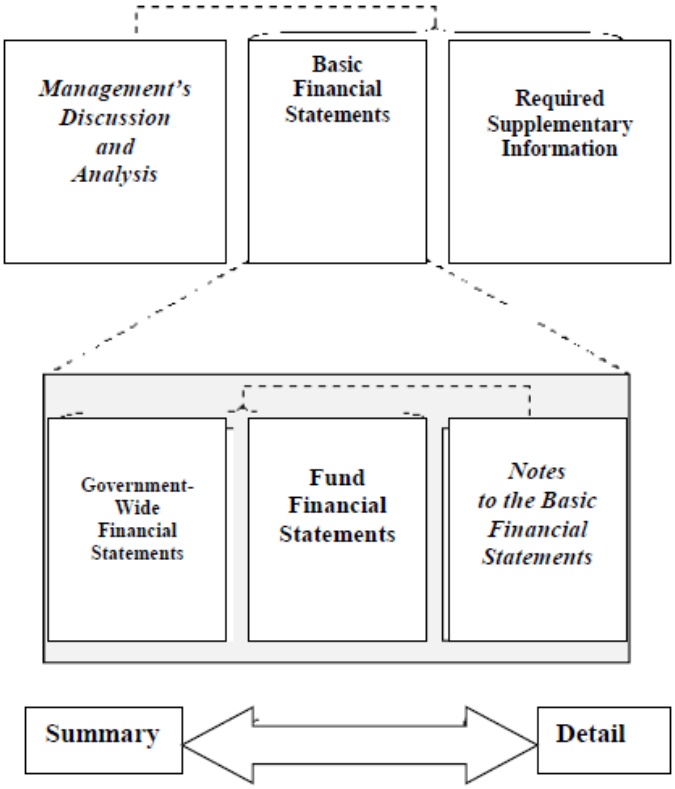
FINANCIAL HIGHLIGHTS

- The District's net position as of 8-31-2025 was ($22,862,304) due in large part to the recognition of a net pension liability and net other post-employment benefit (OPEB) liability. These liabilities represent the District's allocated share of the state's liability for TRS pension and TRS Care insurance.
- During the year, the District had general fund expenditures of $52.8 million and revenues of $51.7 million for a net deficit of $1.1 million.
- The General Fund ended the year with a fund balance of $11.8 million.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District and how the revenues covered the expenses of the goods or services. The fiduciary statements provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District.



The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities – Government-Wide Financial Statements

These statements are designed to provide readers with a broad overview of the District's finances. The Statement of Net Position includes all the District's assets, liabilities, and deferred outflows and inflows of resources at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These statements apply the accrual basis of accounting which is the basis used by private sector companies.

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

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

The District only has governmental activities to report in the government wide financial statements. The District has no business-type activities and no component units for which it is financially accountable.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds–not the District as a whole. Laws and contracts require the District to establish some funds and the District's administration establishes other funds to help it control and manage money for particular purposes. The District's two fund types–governmental and proprietary–use different accounting approaches.

· Governmental funds–Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

· Proprietary funds–The District uses internal service funds to report activities that provide supplies and services for the District's other programs and activities–such as the District's self-insurance programs. The proprietary funds use the same accounting methods employed in the Statement of Net Position and the Statement of Activities. The District has no enterprise funds.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities, scholarship programs, and conditional donations. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Fund Net Position. We exclude these resources from the District's other financial statements because the District can only use these assets for restricted purposes. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Comparative government-wide financial information serves as a useful indicator of the government's financial position. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities. The District has no business-type activities.

Net Position

Table I shows the comparative Net Position of Whitehouse ISD as of August 31, 2025 and August 31, 2024. Net Position of the District's governmental activities is ($22,862,304), a decrease of 40%. This change was the result of a number of factors. The district's short term assets category decreased 12% mainly due to the spend down of cash while the district operated under a deficit budget for the 2024-25 year. This deficit spending was most significant in the general and debt service funds. This deficit spending was planned and budgeted at the beginning of the fiscal year. The capital asset decrease of 4% was due to the relative increase in accumulated depreciation. The district's long-term liabilities category decreased 2%, but it is worth noting the substantial decrease in the Net Pension Liability. The Net Pension Liability decreased by 18%, from $19,017,383 at August 31, 2024 to $15,643,391 at August 31, 2025. The outstanding debt balance decreased as debt principal was paid down according to the debt payment schedule. The Net OPEB liability increased. The interplay of these amounts created the overall 2% decrease in the long-term liabilities category despite the increase in the Net OPEB liability. The requirements of GASB 68 (Net Pension) and 75 (Net OPEB) have not changed the financial stability of the District but simply reflect a change in the way that existing liabilities are accounted for by shifting the reporting of these liabilities from the state's financials to the District's financials. Of the Net Position amount, ($6,334,621) is net investment in capital assets. The slight decrease in the net investment in capital assets category is due to the impact of the timing of scheduled debt payments and the capitalization and subsequent timing of the expensing of assets funded through bonded debt. The District uses capital assets to provide services to students; consequently, these assets are not available for future spending. The resources to repay the related debt are acquired through taxes. The restricted net position balance of $2,355,385 represents amounts in the debt service, state grants, and school nutrition accounts that are legally restricted for specific purposes. Unrestricted net position totaled ($18,883,068) at August 31, 2025 compared to ($13,832,972) at August 31, 2024. This difference reflects the impact of GASB 68 and 75 mentioned earlier along with the implementation of GASB 101 which served to increase the liability for compensated absences starting in the 2024-25 year. These assets represent resources available for future operations, long-term commitments and emergencies of the District. A negative total net position is a common occurrence in school districts due to the recognition of GASB 68 and 75 mentioned previously.

Table I
NET POSITION
Governmental Activities

	2025	2024	% Change
Current and Other Assets	$ 24,811,803	$ 28,069,156	-12%
Capital Assets	87,569,579	91,693,231	-4%
Deferred Outflows of Resources	11,603,767	14,339,651	-19%
Total Assets/Deferred Outflows of Resources	$ 123,985,149	$ 134,102,038	-8%
Long-term Liabilities	$ 124,427,736	$ 126,929,091	-2%
Other Liabilities	10,869,948	9,956,174	9%
Deferred Inflows of Resources	11,549,769	13,500,912	-14%
Total Liabilties/Deferred Inflows of Resources	$ 146,847,453	$ 150,386,177	-2%
Net Investment in Capital Assets	$ (6,334,621)	$ (6,048,015)	-5%
Restricted	2,355,385	3,596,848	-35%
Unrestricted	(18,883,068)	(13,832,972)	-37%
Total Net Position	$ (22,862,304)	$ (16,284,139)	-40%

Changes in Net Position

Table II presents a comparative summary of the revenues, expenses, and changes in net position for the year ended August 31, 2025 and August 31, 2024.

Table II
CHANGES IN NET POSITION
Governmental Funds

	2025	2024	% Change
Revenues:			
Program revenues:			
Charges for services	$ 1,502,374	$ 1,344,327	12%
Operating grants and contributions	5,744,797	9,287,455	-38%
General revenues:			
Maintenance and operations taxes	22,649,312	19,219,435	18%
Debt service taxes	5,397,741	6,267,206	-14%
State aid-formula grants	25,233,588	27,514,165	-8%
Grants and contributions not restricted to specific functions	333,101	1,246,909	-73%
Investment earnings	1,055,721	1,245,726	-15%
Miscellaneous local and intermediate revenue, special items, and transfers	454,230	532,833	-15%
Total Revenue	$ 62,370,864	$ 66,658,056	-6%
Expenses:			
Instruction, curriculum and media services	$ 34,690,726	$ 34,699,173	0%
Instructional and school leadership	3,760,475	3,787,337	-1%
Student support services	5,622,571	5,808,501	-3%
Child nutrition	3,187,011	3,305,340	-4%
Cocurricular activities	3,171,195	3,247,866	-2%
General Administration	2,678,658	2,554,344	5%
Plant maintenance, security & data processing	8,745,457	10,028,394	-13%
Community services	7,972	7,191	11%
Debt service	3,730,829	3,819,897	-2%
Capital Outlay	12,832	5,332	141%
Payments to member districts	183,492	137,245	34%
Other intergovernmental charges	427,626	444,974	-4%
Total Expenses	$ 66,218,844	$ 67,845,594	-2%
Current year increase/(decrease) in net position	$ (3,847,980)	$ (1,187,538)	

The main sources of revenue for the District are property taxes and state funds. Property taxes for the general operations and debt service operations represent 45% of the government wide resources. The percentage of total funding provided by property taxes increased 6.8 percentage points from 38.2% in 2023-24 to 45% in 2024-25. This percentage increase was due to an increase in tax revenue while total revenue decreased. This increase in tax revenue resulted from action taken by the district to raise tax rates for disaster relief along with an increase in taxable values. The district lost revenue in the state aid-formula grants category due to a decrease in the main revenue driver for this revenue source, student average daily attendance. The total tax rate for 2023-24 was $0.9272 with $0.6992 for maintenance and operations and $0.2280 for debt service. The total tax rate for 2024-25 was $.9249 with $0.7469 for maintenance and operations and $0.1780 for debt service.

Charges for services increased due to an increase in food service revenues.

Operating grants and contributions decreased due to the decrease in spending with the scheduled loss of ESSER funding. Since these grants are on a reimbursement model, revenues are recognized when expenditures are recognized.

Grants and contributions not restricted to specific functions decreased due to a decrease in SHARS funding.

Investment earnings decreased due to lower interest rates paid throughout the year on declining cash balances.

As shown in Table II, the cost of all governmental activities this year was $66.2 million. This is an overall decrease from the previous year due to decreases in the student support services, child nutrition, plant maintenance, security, and data processing, and debt service categories. The decrease in student support services resulted from the reduction of positions due to attrition and the decrease in spending on transportation vehicles as compared to the prior year. Child nutrition decreases were the result of decreased spending for equipment. The general administration increase was due to raises and the filling of previously vacant positions. The most significant decrease was in the plant maintenance, security, and data processing category due to decreased purchases for large maintenance and technology projects and the purchase of equipment in these areas.

The largest expenses of the District were for instruction, curriculum and media services.

Due to the factors previously mentioned, total expenses decreased by 2%.

For 2024-25 the statements reflect a decrease in net position of $3,847,980 due to current year activity.

THE DISTRICT'S FUNDS

Governmental fund reporting focuses primarily on the sources, uses and balances of current financial resources. The general fund, capital projects fund, and debt service fund are the major funds of the District. All other governmental funds are combined in the statements. The Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance use the modified accrual basis of accounting for the governmental funds of the District.

As the District completed the year, its governmental funds reported a combined fund balance of $18.5 million, which is a decrease from last year's total of $21.3 million. The net decrease included a decrease of $435,962 in the capital projects fund, $1.2 million in the general fund, and $1.2 million in the debt service fund, and an increase in other funds of $39,680. The general fund contains $291,048 in assigned fund balance for expenditures in future years and $5,742 for prepaid items. The total unassigned fund balance in the general fund is $11.5 million. Due to estimated decreases in the amount needed to cover general fund cash flow deficits, the unassigned fund balance was decreased. The capital projects fund has $4 million committed for future

construction projects and other locally funded projects. The remaining fund balances in the report include $804,740 restricted for federal and state grant funds, $1,550,645 restricted for debt service, and $338,580 committed to campus activity and other groups.

Total governmental funds expenditures for the year ended August 31, 2025 decreased to $67.1 million mainly due to additional expenditures for specific maintenance, security and data processing projects in 2023-24 but not in 2024-25. Table III shows a comparison of the expenditures for the years ended August 31, 2025 and August 31, 2024.

Table III
GOVERNMENTAL FUND (MODIFIED ACCRUAL BASIS) EXPENDITURES

	2025	2024	% Change
Instruction, curriculum and media services	$ 32,603,051	$ 32,260,371	1%
Instructional and school leadership	3,632,130	3,519,905	3%
Student support services	6,276,431	5,597,939	12%
School Nutrition	2,892,943	3,191,988	-9%
Cocurricular activities	2,268,179	2,221,148	2%
General administration	2,656,089	2,406,679	10%
Plant maintenance, security & data processing	8,337,043	10,616,617	-21%
Community services	7,972	7,253	10%
Debt service	7,820,259	7,815,076	0%
Facilities acquisition and construction	7,500	-	100%
Payments to fiscal agent	179,792	133,545	35%
Other Intergovernmental Charges	427,626	444,974	-4%
Total Expenditures	$ 67,109,015	$ 68,215,495	-2%

The overall change in expenditures in the governmental fund financial statements was a decrease of 2% for the 2024-25 year. This was driven mostly by the decrease in plant maintenance, security, & data processing expenditures.

A major difference between the expenditures as reported on Table II and Table III is the treatment of expenditures related to fixed assets and debt service. On the modified accrual basis (Table III) long-term assets show up as expenditures. When these records are converted to full accrual (Table II) these items are de-expended and capitalized as assets on the balance sheet and depreciation is recorded to expense the items over the useful life of the asset. For long-term debt, on the modified accrual basis, debt principal and interest are recorded as expenditures while on the full accrual basis the principal payments are de-expended during the conversion leaving only interest as an expenditure. This explains some of the major differences reflected between Table II and Table III.

The plant maintenance, security, & data processing section of the fund financial statement reflects the purchase of major renovations/repairs and equipment in this category. The decrease in the plant maintenance, security, & data processing category is due to the decrease in the size and scope of the projects in these areas between 2023-24 and 2024-25. In the government wide statement these items are capitalized and depreciated as described above.

The explanation for the other changes reflects the explanations in the government wide section of the report and therefore the explanations contained in that section of this report are applicable to this section.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Board of Trustees revised the District's budget several times. The budget was amended to:

- Budget changes in revenue from original projections
- Reflect changes to instruction, transportation, instructional leadership, curriculum, counseling services, health services, maintenance, and security budgets
- Reflect additional expenditures for technology purchases
- Reflect potential additional payments to fiscal agent for shared services
- Reflect expenditure activity in function 71 to account for implementation of new GASB pronouncements
- Reflect additional revenues and expenditures in capital projects
- Reflect reductions in revenues and expenditures for School Nutrition
- Transfer funds to the capital projects fund for future construction projects

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2024-25 the District had $165.6 million invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, technology, and maintenance. This amount represents a net increase of $1,104,852. The increase includes the purchase of additional equipment.

The capital projects committed fund balance of $4 million represents funds transferred from the General Fund to provide for future facilities improvements. More detailed information about the District's capital assets is presented in Section IV, Note E to the financial statements.

Debt

At year-end, the District had $92.8 million in bonds outstanding versus $96.0 million last year. Other obligations include leases and SBITAs. More detailed information about the District's long-term liabilities is presented in Section IV, Notes F and G to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal year 2025-26 budget and tax rates. The funding formula implemented by the 89th Legislature was used for developing the 2025-26 budget. One item that the Legislature did address in the latest session was increasing homestead exemptions. This served to provide relief to taxpayers by reducing their tax burden through lower taxable values. The local revenue that would have been lost by school districts due to these actions was replaced with additional state revenue. The state also provided some additional revenue independent of the homestead exemption hold harmless, although most of it was earmarked for specific purposes such as teacher raises.

Much of the impact of inflation since the pandemic has been largely unaddressed. The Legislature has prioritized the reduction of local property taxes as the focused use of recent biennial surpluses. This stance, along with the recent downward enrollment trend experienced by the district, has served to restrict available revenue streams to address rising costs. There remains a lack of clarity as to measures the State is going to take to alleviate the financial pressures created by these factors. Additionally, decreases in interest rates and changes to the SHARS program have led to further decreases in the revenue stream for school districts. These factors continue to contribute to a fair level of uncertainty in our financial forecasting.

The district did pass a Voter Approval Tax Rate Election (VATRE) in November of 2025. This allowed the district to assess a maintenance and operations (M&O) rate of $0.7869 and a debt service rate of $0.1780 to support the 2025-26 budget. This election provided the district the opportunity to keep last year's five disaster relief pennies while adding an additional four pennies to last year's rate. The overall tax rate rose to $0.9649 from the 2024-25 rate of $.9249. The district continues to deal with uncertain growth patterns for enrollment and subsequently average daily attendance. The uncertainty, however, has been somewhat limited due to previous actions taken by the district's board to allow limited interdistrict transfers. This policy allows for a slowing, and hopefully a full reversal, of the downward enrollment trend to help increase efficiencies in our operations. The ADA of the district will be closely monitored during the 2025-26 school year, as more information becomes available, and appropriate budget adjustments will be made for any increase or decrease during the year. Early numbers indicate an enrollment increase relative to our estimates for budgeting purposes.

A budget with revenue of $57.4 million was originally adopted for the maintenance and operations of the district for 2025-26. In order to stay competitive with the market and retain staff, a raise was budgeted for all staff. The budget was decreased in a number of functional areas by removing some one-time expenditures from the prior year in these areas. This helped the District to reallocate General Fund revenues to cover areas of increasing costs to address the everchanging needs of the students of WISD.

The challenges of dealing with the factors previously mentioned have forced school districts to continually reevaluate the operations of the district. Many revisions to instructional programs, compensation plans, funding calculations, and general school operations were either encouraged or mandated during the last few years. The COVID-19 pandemic, inflationary pressures, and their lingering effects, have added another layer of economic and operational uncertainty. Whitehouse ISD administrators will continue to closely monitor the flow of new information as it becomes available and adapt to changing circumstances as appropriate.

Every effort was made during the budget process to keep the focus where it needs to remain, on the needs of the students of the District. The dedicated staff members of Whitehouse ISD strive to provide a safe and caring environment for both our students and employees while continuing to keep our children's success as our focus and highest priority.

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 show the District's accountability for the funding it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Whitehouse Independent School District, 104 Hwy 110 N, Whitehouse, Texas, 75791.

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BASIC FINANCIAL STATEMENTS

WHITEHOUSE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2025

Data Control Codes		Primary Government Governmental Activities
ASSETS		
1110	Cash and Cash Equivalents	$ 20,716,843
1220	Property Taxes - Delinquent	766,379
1230	Allowance for Uncollectible Taxes	(22,992)
1240	Due from Other Governments	3,280,623
1267	Due from Fiduciary Funds	4,209
1290	Other Receivables, Net	23,096
1410	Prepayments	43,645
	Capital Assets:	
1510	Land	4,401,639
1520	Buildings, Net	78,954,504
1530	Furniture and Equipment, Net	3,762,291
1550	Right-to-Use Leased Assets, Net	188,464
1553	SBITA Assets, Net	262,681
1000	Total Assets	112,381,382
DEFERRED OUTFLOWS OF RESOURCES		
1701	Deferred Charge for Refunding	254,999
1705	Deferred Outflow Related to TRS Pension	4,791,494
1706	Deferred Outflow Related to TRS OPEB	6,557,274
1700	Total Deferred Outflows of Resources	11,603,767
LIABILITIES		
2110	Accounts Payable	385,834
2131	SBITA Liability Payable - Current	64,864
2140	Interest Payable	193,192
2150	Payroll Deductions and Withholdings	987
2160	Accrued Wages Payable	3,930,211
2180	Due to Other Governments	413,035
2200	Accrued Expenses	254,961
2300	Unearned Revenue	117,077
	Noncurrent Liabilities:	
2501	Due Within One Year: Loans, Note, Leases, etc.	5,509,787
	Due in More than One Year:	
2502	Bonds, Notes, Loans, Leases, etc.	97,768,450
2540	Net Pension Liability (District's Share)	15,643,391
2545	Net OPEB Liability (District's Share)	11,015,895
2000	Total Liabilities	135,297,684
DEFERRED INFLOWS OF RESOURCES		
2605	Deferred Inflow Related to TRS Pension	1,326,503
2606	Deferred Inflow Related to TRS OPEB	10,223,266
2600	Total Deferred Inflows of Resources	11,549,769
NET POSITION		
3200	Net Investment in Capital Assets and Right-to-Use Lease Assets	(6,334,621)
	Restricted:	
3820	Restricted for Federal and State Programs	804,740
3850	Restricted for Debt Service	1,550,645
3900	Unrestricted	(18,883,068)
3000	Total Net Position	$ (22,862,304)

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

WHITEHOUSE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes		1	Program Revenues 3	4	Net (Expense) Revenue and Changes in Net Position 6
		Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:					
	GOVERNMENTAL ACTIVITIES:				
11	Instruction	$ 32,500,491	$ 339,248	$ 2,152,075	$ (30,009,168)
12	Instructional Resources and Media Services	832,694	9,036	16,161	(807,497)
13	Curriculum and Instructional Staff Development	1,357,541	1,683	472,129	(883,729)
21	Instructional Leadership	579,791	-	65,968	(513,823)
23	School Leadership	3,180,684	12,404	66,647	(3,101,633)
31	Guidance, Counseling, and Evaluation Services	2,910,141	46,246	651,553	(2,212,342)
32	Social Work Services	(25,222)	-	(22,609)	2,613
33	Health Services	596,946	-	(33,769)	(630,715)
34	Student (Pupil) Transportation	2,140,706	350	66,984	(2,073,372)
35	Food Services	3,187,011	848,314	1,967,173	(371,524)
36	Extracurricular Activities	3,171,195	224,584	(17,190)	(2,963,801)
41	General Administration	2,678,658	-	7,828	(2,670,830)
51	Facilities Maintenance and Operations	6,353,042	18,826	159,168	(6,175,048)
52	Security and Monitoring Services	1,355,175	-	113,925	(1,241,250)
53	Data Processing Services	1,037,240	1,683	72,032	(963,525)
61	Community Services	7,972	-	4,095	(3,877)
72	Debt Service - Interest on Long-Term Debt	3,723,554	-	2,627	(3,720,927)
73	Debt Service - Bond Issuance Cost and Fees	7,275	-	-	(7,275)
81	Capital Outlay	12,832	-	-	(12,832)
93	Payments Related to Shared Services Arrangements	183,492	-	-	(183,492)
99	Other Intergovernmental Charges	427,626	-	-	(427,626)
[TP]	TOTAL PRIMARY GOVERNMENT:	$ 66,218,844	$ 1,502,374	$ 5,744,797	(58,971,673)

Data Control Codes		
	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	22,649,312
DT	Property Taxes, Levied for Debt Service	5,397,741
SF	State Aid - Formula Grants	25,233,588
GC	Grants and Contributions not Restricted	333,101
IE	Investment Earnings	1,055,721
MI	Miscellaneous Local and Intermediate Revenue	410,475
SI	Special Item -	43,755
TR	Total General Revenues and Special Items	55,123,693
CN	Change in Net Position	(3,847,980)
NB	Net Position - Beginning as Previously Reported	(16,284,139)
PA	Adjustments and Restatements	(2,730,185)
	Net Position - Beginning as Restated and Adjusted	(19,014,324)
NE	Net Position - Ending	$ (22,862,304)

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

WHITEHOUSE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2025

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects
	ASSETS			
1110	Cash and Cash Equivalents	$ 14,058,315	$ 1,642,439	$ 3,811,908
1220	Property Taxes - Delinquent	593,487	172,892	-
1230	Allowance for Uncollectible Taxes	(17,805)	(5,187)	-
1240	Due from Other Governments	2,120,713	65,685	-
1260	Due from Other Funds	551	-	175,000
1290	Other Receivables	-	-	-
1410	Prepayments	5,742	-	-
1000	Total Assets	$ 16,761,003	$ 1,875,829	$ 3,986,908
	LIABILITIES			
2110	Accounts Payable	$ 285,436	$ -	$ -
2150	Payroll Deductions and Withholdings Payable	987	-	-
2160	Accrued Wages Payable	3,632,534	-	-
2170	Due to Other Funds	179,423	-	-
2180	Due to Other Governments	255,556	157,479	-
2300	Unearned Revenue	-	-	-
2000	Total Liabilities	4,353,936	157,479	-
	DEFERRED INFLOWS OF RESOURCES			
2601	Unavailable Revenue - Property Taxes	575,682	167,705	-
2600	Total Deferred Inflows of Resources	575,682	167,705	-
	FUND BALANCES			
	Nonspendable Fund Balance:			
3430	Prepaid Items	5,742	-	-
	Restricted Fund Balance:			
3450	Federal or State Funds Grant Restriction	-	-	-
3480	Retirement of Long-Term Debt	-	1,550,645	-
	Committed Fund Balance:			
3510	Construction	-	-	3,986,908
3545	Other Committed Fund Balance	-	-	-
	Assigned Fund Balance:			
3590	Other Assigned Fund Balance	291,048	-	-
3600	Unassigned Fund Balance	11,534,595	-	-
3000	Total Fund Balances	11,831,385	1,550,645	3,986,908
4000	Total Liabilities, Deferred Inflows & Fund Balances	$ 16,761,003	$ 1,875,829	$ 3,986,908

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

Other Funds	Total Governmental Funds
$ 491,227	$ 20,003,889
-	766,379
-	(22,992)
1,094,225	3,280,623
8,632	184,183
23,096	23,096
37,903	43,645
$ 1,655,083	$ 24,278,823
$ 96,458	$ 381,894
-	987
297,677	3,930,211
551	179,974
-	413,035
117,077	117,077
511,763	5,023,178
-	743,387
-	743,387
-	5,742
804,740	804,740
-	1,550,645
-	3,986,908
338,580	338,580
-	291,048
-	11,534,595
1,143,320	18,512,258
$ 1,655,083	$ 24,278,823

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WHITEHOUSE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
AUGUST 31, 2025

EXHIBIT C-2

	Total Fund Balances - Governmental Funds	$	18,512,258
1	The District uses internal service funds to charge the costs of certain activities, such as self-insurance, 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. The net effect of this consolidation is to increase net position.		454,053
2	Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was $164,495,873 and the accumulated depreciation was $73,167,523. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to decrease net position.		(11,805,063)
3	Current year capital outlays and long-term debt and lease principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2025 capital outlays and debt principal payments is to increase net position.		5,683,160
4	Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of $15,643,391, a Deferred Resource Inflow related to TRS in the amount of $1,326,503, and a Deferred Outflow related to TRS in the amount of $4,791,494. This amounted to a decrease in net position in the amount of $12,178,400.		(12,178,400)
5	Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75 in the amount of $11,015,895, a Deferred Resource Inflow related to TRS in the amount of $10,223,266, and a Deferred Outflow related to TRS in the amount of $6,557,274. This amounted to a decrease in net position in the amount of $14,681,887.		(14,681,887)
6	The depreciation and amortization expense increases accumulated depreciation and amortization. The net effect of the current year's depreciation and amortization is to decrease net position.		(5,724,514)
7	New SBITA liabilities are shown as an increase to long-term debt in the amount of $115,592.		(115,592)
8	New compensated absences liabilities are shown as an increase to long-term debt in the amount of $3,756,838.		(3,756,838)
9	Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		750,519
29	**Net Position of Governmental Activities**	$	(22,862,304)

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

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

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects
	REVENUES:			
5700	Total Local and Intermediate Sources	$ 23,959,448	$ 5,610,103	$ 184,708
5800	State Program Revenues	27,383,363	810,929	-
5900	Federal Program Revenues	333,101	-	-
5020	Total Revenues	51,675,912	6,421,032	184,708
	EXPENDITURES:			
	Current:			
0011	Instruction	28,567,193	-	360,069
0012	Instructional Resources and Media Services	762,691	-	-
0013	Curriculum and Instructional Staff Development	909,719	-	-
0021	Instructional Leadership	540,120	-	-
0023	School Leadership	3,020,332	-	-
0031	Guidance, Counseling, and Evaluation Services	2,203,031	-	-
0033	Health Services	628,226	-	-
0034	Student (Pupil) Transportation	2,527,537	-	248,192
0035	Food Services	-	-	-
0036	Extracurricular Activities	2,142,362	-	-
0041	General Administration	2,653,974	-	-
0051	Facilities Maintenance and Operations	5,901,398	-	104,909
0052	Security and Monitoring Services	1,207,684	-	-
0053	Data Processing Services	966,570	-	-
0061	Community Services	2,985	-	-
	Debt Service:			
0071	Principal on Long-Term Liabilities	121,529	3,210,000	-
0072	Interest on Long-Term Liabilities	17,423	4,427,050	-
0073	Bond Issuance Cost and Fees	-	7,275	-
	Capital Outlay:			
0081	Facilities Acquisition and Construction	-	-	7,500
	Intergovernmental:			
0093	Payments to Fiscal Agent/Member Districts of SSA	179,792	-	-
0099	Other Intergovernmental Charges	427,626	-	-
6030	Total Expenditures	52,780,192	7,644,325	720,670
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,104,280)	(1,223,293)	(535,962)
	OTHER FINANCING SOURCES (USES):			
7912	Sale of Real and Personal Property	43,755	-	-
7915	Transfers In	-	-	100,000
7949	Other Resources	-	-	-
8911	Transfers Out (Use)	(134,896)	-	-
7080	Total Other Financing Sources (Uses)	(91,141)	-	100,000
1200	Net Change in Fund Balances	(1,195,421)	(1,223,293)	(435,962)
0100	Fund Balance - September 1 (Beginning)	13,026,806	2,773,938	4,422,870
3000	Fund Balance - August 31 (Ending)	$ 11,831,385	$ 1,550,645	$ 3,986,908

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

	Other Funds	Total Governmental Funds
$	1,269,708	$ 31,023,967
	648,894	28,843,186
	3,934,418	4,267,519
	5,853,020	64,134,672
	1,526,623	30,453,885
	6,541	769,232
	470,215	1,379,934
	55,584	595,704
	16,094	3,036,426
	669,045	2,872,076
	308	628,534
	92	2,775,821
	2,892,943	2,892,943
	125,817	2,268,179
	2,115	2,656,089
	378	6,006,685
	114,116	1,321,800
	41,988	1,008,558
	4,987	7,972
	34,355	3,365,884
	2,627	4,447,100
	-	7,275
	-	7,500
	-	179,792
	-	427,626
	5,963,828	67,109,015
	(110,808)	(2,974,343)
	-	43,755
	35,396	135,396
	115,592	115,592
	(500)	(135,396)
	150,488	159,347
	39,680	(2,814,996)
	1,103,640	21,327,254
$	1,143,320	$ 18,512,258

Total Net Change in Fund Balances - Governmental Funds	$	(2,814,996)
The District uses internal service funds to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net position.		(77,383)
Current year capital outlays and long-term debt and lease principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2025 capital outlays and debt principal payments is to increase net position.		5,683,160
Depreciation and amortization is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation and amortization is to decrease net position.		(5,724,514)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease the change in net position.		(987,837)
Current year changes due to GASB 68 increased revenues in the amount of $398,753 but also increased expenditures in the amount of $1,418,422. The net effect on the change in the ending net position was a decrease in the amount of $1,019,669.		(1,019,669)
Current year changes due to GASB 75 increased revenues in the amount of $2,338,000 but also increased expenditures in the amount of $3,446,851. The net effect on the change in the ending net position was an increase in the amount of $1,208,851.		1,208,851
New SBITA liabilities are shown as an increase to long-term debt in the amount of $115,592.		(115,592)
Change in Net Position of Governmental Activities	$	(3,847,980)

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

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

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 24,057,225	$ 23,968,725	$ 23,959,448	$ (9,277)
5800	State Program Revenues	26,958,360	27,375,360	27,383,363	8,003
5900	Federal Program Revenues	610,000	330,000	333,101	3,101
5020	Total Revenues	51,625,585	51,674,085	51,675,912	1,827
	EXPENDITURES:				
	Current:				
0011	Instruction	29,354,765	28,675,327	28,567,193	108,134
0012	Instructional Resources and Media Services	792,014	769,014	762,691	6,323
0013	Curriculum and Instructional Staff Development	1,093,951	972,951	909,719	63,232
0021	Instructional Leadership	524,938	547,938	540,120	7,818
0023	School Leadership	3,073,933	3,057,933	3,020,332	37,601
0031	Guidance, Counseling, and Evaluation Services	2,312,967	2,251,967	2,203,031	48,936
0032	Social Work Services	700	700	-	700
0033	Health Services	624,832	634,832	628,226	6,606
0034	Student (Pupil) Transportation	2,480,076	2,540,334	2,527,537	12,797
0036	Extracurricular Activities	2,158,830	2,162,010	2,142,362	19,648
0041	General Administration	2,705,184	2,708,184	2,653,974	54,210
0051	Facilities Maintenance and Operations	5,602,840	6,002,840	5,901,398	101,442
0052	Security and Monitoring Services	1,130,253	1,253,253	1,207,684	45,569
0053	Data Processing Services	769,869	1,017,869	966,570	51,299
0061	Community Services	1,776	3,776	2,985	791
	Debt Service:				
0071	Principal on Long-Term Liabilities	153,776	152,276	121,529	30,747
0072	Interest on Long-Term Liabilities	25,232	23,232	17,423	5,809
	Intergovernmental:				
0093	Payments to Fiscal Agent/Member Districts of SSA	115,300	180,300	179,792	508
0099	Other Intergovernmental Charges	431,207	428,207	427,626	581
6030	Total Expenditures	53,352,443	53,382,943	52,780,192	602,751
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,726,858)	(1,708,858)	(1,104,280)	604,578
	OTHER FINANCING SOURCES (USES):				
7912	Sale of Real and Personal Property	-	42,000	43,755	1,755
7949	Other Resources	-	60,000	-	(60,000)
8911	Transfers Out (Use)	(20,000)	(140,000)	(134,896)	5,104
7080	Total Other Financing Sources (Uses)	(20,000)	(38,000)	(91,141)	(53,141)
1200	Net Change in Fund Balances	(1,746,858)	(1,746,858)	(1,195,421)	551,437
0100	Fund Balance - September 1 (Beginning)	13,026,806	13,026,806	13,026,806	-
3000	Fund Balance - August 31 (Ending)	$ 11,279,948	$ 11,279,948	$ 11,831,385	$ 551,437

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

WHITEHOUSE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2025

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 712,954
Total Assets	712,954
LIABILITIES	
Current Liabilities:	
Accounts Payable	3,940
Accrued Expenses	254,961
Total Liabilities	258,901
NET POSITION	
Unrestricted Net Position	454,053
Total Net Position	$ 454,053

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

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

	Governmental Activities - Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	$ 79,900
Total Operating Revenues	79,900
OPERATING EXPENSES:	
Professional and Contracted Services	157,283
Total Operating Expenses	157,283
Operating Income (Loss)	(77,383)
Total Net Position - September 1 (Beginning)	531,436
Total Net Position - August 31 (Ending)	$ 454,053

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

WHITEHOUSE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2025

EXHIBIT D-3

	Governmental Activities - Internal Service Fund
Cash Flows from Operating Activities:	
Cash Received from Assessments - Other Funds	$ 75,154
Cash Payments for Other Operating Expenses	(128,413)
Net Cash Used for Operating Activities	(53,259)
Cash Flows from Investing Activities:	
Interest and Dividends on Investments	4,746
Net Decrease in Cash and Cash Equivalents	(48,513)
Cash and Cash Equivalents at Beginning of Year	761,467
Cash and Cash Equivalents at End of Year	$ 712,954
Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities:	
Operating Income (Loss):	$ (77,383)
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Accounts Payable	(192)
Increase (decrease) in Accrued Wages Payable	29,062
Less Interest Income	(4,746)
Net Cash Used for Operating Activities	$ (53,259)

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

WHITEHOUSE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2025

	Private Purpose Trust Fund	Total Custodial Funds
ASSETS		
Cash and Cash Equivalents	$ 500	$ 255,267
Restricted Assets	3,286	-
Total Assets	3,786	$ 255,267
LIABILITIES		
Accounts Payable	-	149
Due to Other Funds	-	4,209
Total Liabilities	-	4,358
NET POSITION		
Restricted for Other Purposes	-	250,909
Unrestricted Net Position	3,786	-
Total Net Position	$ 3,786	$ 250,909

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

WHITEHOUSE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2025

	Private Purpose Trust Fund	Total Custodial Funds
ADDITIONS:		
Earnings from Temporary Deposits	$ 150	$ -
Contributions, Gifts and Donations	500	-
Student Activities	-	540,589
Total Additions	650	540,589
DEDUCTIONS:		
Student Activities	500	473,655
Total Deductions	500	473,655
Change in Fiduciary Net Position	150	66,934
Total Net Position - September 1 (Beginning)	3,636	183,975
Total Net Position - August 31 (Ending)	$ 3,786	$ 250,909

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Whitehouse Independent School District (the "District") is a 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 registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles (GAAP) in the United States of America promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in **GASB Statement No. 76**, 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.

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.

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.

Whitehouse Independent School District applies Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements. The District's investments are accounted for using the cost amortization method.

Changes in Accounting and Changes To or Within the Financial Reporting Entity. As required by GASB 100, the district must disclose in these notes any change in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity. The impact of all of these changes described below are presented in the financial statements as an Adjustment and/or Restatement of the beginning net position, fund balance, or fund net position as applicable at the earliest period presented.

Change in Accounting Principle – The District implemented GASB Statement No. 101, Compensated Absences, during fiscal year 2025, which updates the recognition and measurement guidance for compensated absences by aligning the recognition and measurement under a unified model and by amending previously required disclosures. Accordingly, the effect of the accounting change is reported on the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position for the current year. The change in accounting policy resulted in a restatement of prior year fiduciary net position of $2,730,185.

A. REPORTING ENTITY

The Board of Trustees (the "Board") is elected by the public and it has fiscal accountability over all activities related to public elementary and secondary education within the jurisdiction of the District. The trustees as a body corporate have the exclusive power and duty to govern and oversee the management of the public schools of the district. All powers and duties not specifically delegated by statute to the Texas Education Agency (Agency) or to the State Board of Education are reserved for the trustees, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the trustees. The District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards, and there are no component units included within the reporting entity. The combined financial statements of the District include all activities for which the Board exercises these governance responsibilities.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Whitehouse Independent School District nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues. *Business-type activities* include operations that rely to a significant extent on fees and charges for support. The District has no business type activities.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the district, school lunch charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/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 funds and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Net Position.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations, they usually come from exchange or exchange-like transactions. All other revenues are non-operating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are non-operating.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing 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.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, 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, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible to accrual concept that is when they are both measurable and available. The District considers them "available" if they will 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.

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 sometimes require the District to refund all or part of the unused amount.

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. All assets and all liabilities associated with the operation of the Proprietary Fund are included on the fund statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

Fiduciary funds include Trust Funds and Custodial Funds. Data from fiduciary funds are not included in the government wide statements.

D. FUND ACCOUNTING

The District reports the following major governmental funds:

1. **The General Fund** – The general fund is the District's primary operating fund. This fund is established to account for resources financing the fundamental operations of the District, in partnership with the community enabling and motivating students to reach their full potential. All revenues and expenditures not required to be accounted for in other funds are included here. This is a budgeted fund and any fund balances are considered resources available for current operations. Fund balances may be appropriated by the Board of Trustees to implement its responsibilities.

2. **Debt Service Funds** – 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 a separate bank account is maintained for this fund. Any unused sinking fund balances are transferred to the General Fund after all of the related debt obligations have been met.

3. **Capital Projects Funds –** These governmental funds are established to account for proceeds from the sale of bonds and other resources to be used for Board authorized acquisition, construction, or renovation, as well as, furnishing and equipping of major capital facilities. Upon completion of a project, any unused bond proceeds are transferred to the Debt Service Fund and are used to retire related bond principal.

Additionally, the District reports the following fund types:

Governmental Funds:

1. **Special Revenue Funds** – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. 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 Food Service Fund is the only required budgeted fund. For all other funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.

   The District's Food Service Fund is considered a special revenue fund since it meets the following criteria: (1) User fees are charged to supplement the National School Lunch Program (NSLP), (2) The General Fund subsidizes the Food Service Program for all expenditures required in excess of NSLP and user fees, and (3) The District does not consider the Food Service Program completely self-supporting. Food Service fund balances are used exclusively for child nutrition program purposes.

2. **Permanent Funds –** The District accounts for donations for which the donor has stipulated that the principal may not be expended and where the income may only be used for purposes that support the District's programs. The District has no Permanent Funds.

Proprietary Funds:

1. **Enterprise Funds –** The District's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities are accounted for in an enterprise fund. The District has no enterprise funds.

2. **Internal Service Funds –** Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in an internal service fund. The District utilizes internal service funds to account for its health and workers' compensation self-insurance plans.

Fiduciary Funds:

1. **Private Purpose Trust Funds –** The District accounts for donations for which the donor has stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District's Private Purpose Trust Fund is the Scholarship Fund.

2. **Pension (and Other Employee Benefit) Trust Funds –** These funds are used to account for local pension and other employee benefit funds that are provided by the District in lieu of or in addition to the Teacher Retirement System of Texas. The District has no Pension Trust Funds.

3. **Investment Trust Fund -** This fund is one in which the District holds assets in trust for other entities participating in an investment program managed by the district. The District has no Investment Trust Funds.

4. **Custodial Funds –** The District accounts for resources held for others in a custodial capacity in custodial funds. These funds are used to account for assets held by the District as a custodian for student and other organizations. The District's Custodial Funds are the Student Activity Funds for each campus and WISD Foundation.

E. OTHER ACCOUNTING POLICIES

1. For purposes of the statement of cash flows for proprietary and similar fund-types, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

2. The District does not maintain inventories of supplies, and therefore, reports all supplies on the purchase basis. Supplies are recorded as expenditures when they are purchased. Inventory of supplies at year end is not material.

3. In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

   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.

4. It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. The liability for unpaid accumulated sick leave is reported as specified in GASB 101. The amount of the compensated absences reported in the governmental fund statements is the amount that is liquidated this reporting period with expendable financial resources. The net increase (or decrease) in the compensated absence liability is $1,026,663.

5. Capital assets, which include land, buildings, furniture and equipment, right-to-use lease assets, right-to-use subscription-based information technology arrangements (SBITA) assets and infrastructure assets are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The right-to-use lease asset capitalization level is $5,000.

   The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

   Amortization is calculated using constant total cost (the total of the separately determined interest and amortization) or total cost over the life for right-to-use lease assets and SBITA assets and the estimated useful lives for the leases is the term of the lease assets and for the SBITA it is the term of the subscription for SBITA assets. Buildings, furniture and equipment, and infrastructure assets of the District are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings & Improvements	30
Portable Buildings	15
In-Ground Irrigation	15
Buses	10
Other Vehicles	5
Other Equipment	7
Computer Equipment	5

Land and Construction in Progress are not depreciated.

6. 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.

7. In the fund financial statements, governmental funds report fund balances in the following classifications:

a. *Nonspendable fund balance* – amounts that are not in spendable form, such as fund balances associated with inventories, prepaids, and long-term loans and notes receivable.
b. *Restricted fund balance* – amounts that can be spent only for the specific purposes stipulated by their providers, such as grantors, bondholders, and higher levels of government, through constitutional provisions, or enabling legislation.
c. *Committed fund balance* – amounts that can only be used for the specific purposes determined by a formal action of the District's Board of Trustees (the District's highest level of decision-making authority). These amounts cannot be used for any other purpose unless the District's Board of Trustees takes the same level of action to remove or change the constraint.
d. *Assigned fund balance* – amounts intended to be used by the government for a specific purpose but do not meet the criteria to be classified as restricted or committed. Intent can be expressed by the District's Board of Trustees or by the Superintendent or Deputy Superintendent of Finance and Operations, to whom the Board of Trustees has delegated the authority to assign fund balances.
e. *Unassigned fund balance* – amounts that are available for any purpose; these amounts are reported only in the General Fund.

8. The District is self-insured for Worker's Compensation. The plan is established pursuant to Texas Labor Code Annotated Ch. 504.

9. When the District incurs an expense for which it may use assets available in more than one classification, the District uses restricted assets first, followed by committed, assigned and finally unassigned, unless unassigned assets will have to be returned because they were not used.

10. Management's use of estimates in the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimations and assumptions that affect the reported amounts of assets and liabilities at the date of financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

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

described in Note IV H, for its proportionate share of TRS's deferred outflow related to OPEB as described in Note IV I, and for deferred charges for bond refunding.

12. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has one type of item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Uncollected property taxes which are assumed collectible are reported in this category on the balance sheet for governmental funds. They are not reported in this category on the government wide statement of net position. The District has deferred inflows of resources, which arises under the modified accrual basis of accounting, unavailable revenue from property taxes and for its proportionate share of the Teacher Retirement System of Texas' (TRS) deferred inflow related to pensions as described in Note IV H and related to OPEB as described in Note IV I. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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

F. RECENT ISSUED STANDARDS

In April 2024, the GASB issued No. 103, Financial Reporting Model Improvements, which improves key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This statement is effective for fiscal periods beginning after June 15, 2025. The District is evaluating the impact of this statement on its financial statements.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

Exhibit C-2 provides a reconciliation between the total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of net position.

The first item on the reconciliation explains that the "assets and liabilities of the internal service funds are included in governmental activities in the statement of net position." The details are as follows:

Cash and Cash Equivalents	$	712,954
Accounts Payable		(3,940)
Accrued Expenses		(254,961)
Net Effect on Net Position	$	454,053

The second item on the reconciliation describes the effect on net position of "including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities." The details are as follows:

Beginning Capital Assets, Net of Depreciation	$	91,693,231
Beginning Long-Term Debt		(96,279,902)
Beginning Net Amortized Bond Discount		(7,018,068)
Beginning Accrued Interest Payable		(200,324)
Net Effect on Net Position	$	(11,805,063)

The reconciliation explains the current year effect on net position as "including the 2025 capital outlays and debt transactions." The details of this effect are as follows:

Current Year payments on General Obligation Bonds	$	3,210,000
Current Year payments on Lease Liabilities		94,278
Current Year payments on SBITA Liabilities		61,606
Current Year Capital Outlay for Capital Assets		1,600,862
Amortization of Deferred Loss		(38,980)
Amortization of Bond Premium/Discount		755,394
Net Effect on Net Position	$	5,683,160

The last item in the reconciliation describes the effect on net position of recognizing unearned and unavailable revenue as revenue, eliminating interfund transactions, and recognizing the liabilities associated with maturing long-term debt and interest. The effect on net position is as follows:

Recognize Current Year Tax Unavailable Revenue as Revenue	$	307,769
Recognize Delinquent Tax Unavailable Revenue as Revenue		435,618
Net Change in Accrued Interest Payable		7,132
Net Effect on Net Position	$	750,519

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Exhibit C-4 provides a reconciliation between the net changes on the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the C*hanges in Net Position of Governmental Activities* as reported in the Government-Wide Statement of Activities.

The second item on the reconciliation describes the current year effect on net position for "removing the 2025 capital outlays and debt principal payments." The details of this effect are listed in II.A.

The fourth item on the reconciliation describes the effect on net assets of "recognizing unavailable revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of loans as an increase in loans payable, and recognizing the liabilities associated with maturing long-term debt and interest." The details are as follows:

Recognize Current Year Tax Unavailable Revenue as Revenue	$	307,769
Remove Prior Years' Tax Collections from Revenue		(72,209)
Net Change Due to Difference Between Prior Year Estimation of Delinquent Taxes Collectible and Actual Collections		(203,876)
Net Change in Accrual of Interest Payable		7,132
Net Change in Compensated Absences		(1,026,653)
Net Effect on Net Position	$	(987,837)

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Food Service Fund (which is included in the Special Revenue Funds). The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit C-5 and the other two reports are in Exhibit J-2 and J-3.

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

1. Prior to August 20, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.

2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must be given.

3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. The following amendments were significant:

- Budget changes in revenue from original projections
- Reflect changes to instruction, transportation, instructional leadership, curriculum, counseling services, health services, maintenance, and security budgets
- Reflect additional expenditures for technology purposes
- Reflect potential additional payments to fiscal agent for shared services
- Reflect expenditure activity in function 71 to account for implementation of new GASB pronouncements
- Reflect additional revenues and expenditures in capital projects
- Reflect reductions in revenues and expenditures for School Nutrition
- Transfer funds to the capital projects fund for future construction projects

4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end. A reconciliation of fund balances for both appropriated budget and non-appropriated budget special revenue funds is as follows:

	August 31, 2025 Fund Balance
Appropriated Budget Funds – Food Service Special Revenue Fund	$ 791,082
Non-appropriated Budget Funds	352,238
All Special Revenue Funds	$ 1,143,320

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

Deposits

District Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits 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 pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the District complies with this law, it has no custodial credit risk for deposits.

Foreign Currency Risk The District does not have any deposits or investments denominated in a foreign currency.

As of August 31, 2025, the following are the District's cash and cash equivalents with respective maturities and credit rating:

Type of Deposit	Fair Value	Percent	Maturity in Less than 1 year	Maturity in 1-10 Years	Maturity in Over 10 Years	Credit Rating
Cash	$ 3,413,653	16.3%	$ 3,413,653	$ -	$ -	N/A
Money Markets	5,366,709	25.6%	5,366,709	-	-	N/A
Investment Pools:						
Lone Star	12,195,534	58.1%	12,195,534	-	-	AAA
Total Cash and Cash Equivalents	$ 20,975,896	100.0%	$ 20,975,896	$ -	$ -	

Total Cash and Cash Equivalents - Primary Government	$ 20,716,843
Total Cash and Cash Equivalents - Fiduciary Funds	259,053
Total Cash and Cash Equivalents	$ 20,975,896

Investments

District Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

Statuses authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas and its agencies; (2) guaranteed or secured certificates of deposit issued by state and natural banks domiciled in Texas; (3) obligations of states, agencies, counties, cities and other political subdivisions

of any state having been rated as to investment quality not less than an "A"; (4) No load money market funds with a weighted average maturity of 90 days or less; (5) fully collateralized repurchase agreements; (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies OR one nationally recognized credit agency and is fully secured by an irrevocable letter of credit; (7) secured corporate bonds rated not lower than "AA-" or the equivalent; (8) public funds investment pools; and (9) guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas public Funds Investment Act in an amount equal to the bond proceeds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

Additional policies and contractual provisions governing deposits and investments for Whitehouse Independent School District are specified below:

Credit Risk To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments to those covered by the Public Funds Investment Act. As of August 31, 2025, the District's investment in an investment pool was rated AAA by Standard & Poor's.

Custodial Credit Risk for Investments To limit the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party. The District requires counterparties to register the securities in the name of the district and hand them over to the District or its designated agent. This includes securities in securities lending transactions. All of the securities are in the District's name and are held by the District or its agent.

Concentration of Credit Risk To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District requires investments to be made in a manner that ensures the preservation of capital in the overall portfolio, and offsets during the 12-month period any market price losses resulting from interest-rate fluctuations by income received from the balance of the portfolio.

Interest Rate Risk To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires any internally created pool fund group of the District to have a maximum dollar weighted maturity of 180 days. The maximum allowable stated maturity of any other individual investment owned by the District may not exceed one year from the time of purchase. All of the District's investments at August 31, 2025 had a maturity of one year or less.

Foreign Currency Risk for Investments The District does not have any investments denominated in a foreign currency.

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The District's investments are held in First Public Lone Star Government Overnight Fund which are classified as cash and cash equivalents as it is exempt from Fair Value Measurement under GASB 72 as it qualifies as a 2a-7 like investment pool.

B. PROPERTY TAXES

The District levies its taxes on October 1 in conformity with Subtitle E, Texas Property Tax Code on the assessed value listed as of the prior January 1 for all real estate and business personal property located in the District. Taxes are due on receipt of the tax bill and are delinquent and subject to interest if not paid before February 1 of the year following the October 1 levy date. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. The assessed value of the property tax roll on July 19, 2024, upon which the levy for the 2024-2025 fiscal year was based, was $3,389,931,053. Delinquent taxes are subject to both penalty and interest charges plus, if not paid by June 30, an added 15% delinquent collection fee for attorney costs. Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period, however, amounts collected during the 60 day period after year-end are not considered material to the financial statements and are not reported.

The tax rates assessed for the year ended August 31, 2025, to finance General Fund operations and the payment of principal and interest on general obligation long-term debt were $.7469 and $0.1780 per $100 valuation, respectively, for a total of $.9249 per $100 valuation.

Current tax collections for the year ended August 31, 2025 were 98.88% of the year end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the General and Debt Service Funds are based on historical experience in collecting 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. As of August 31, 2025, unavailable revenue, net of estimated uncollectible taxes, totaled $575,682 and $167,705 for the General and Debt Service Funds, respectively.

C. INTERFUND BALANCES AND TRANSFERS

Interfund balances at August 31, 2025 consisted of the following amounts:

Due to General Funds from:	
Special Revenue Funds	$ 551
Due to Capital Projects Fund from:	
General Fund	175,000
Due to Special Revenue Funds from:	
General Fund	4,423
Custodial Funds	4,209
Total	$ 184,183

Interfund transfers for the year ended August 31, 2025, consisted of the following individual amounts:

Transfers to Special Revenue Funds from:	
General Fund	$ 34,896
Other Special Revenue Funds	500
Total Transferred to Special Revenue Funds	35,396
Transfers to Capital Project Fund from:	
General Fund	100,000
Total Transferred to Capital Project Fund	100,000
Total	$ 135,396

D. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2025 were as follows:

	Property Taxes	Other Governments	Due From Other Funds	Other	Total Receivables
Governmental Activities:					
General Fund	$ 593,487	$ 2,120,713	$ 551	$ -	$ 2,714,751
Capital Projects Fund	-	-	175,000	-	175,000
Debt Service Fund	172,892	65,685	-	-	238,577
Nonmajor Governmental Fund	-	1,094,225	8,632	23,096	1,125,953
Total – Governmental Activities	$ 766,379	$ 3,280,623	$ 184,183	$ 23,096	$ 4,254,281
Amounts not scheduled for collection during the subsequent year	$ 22,992	$ -	$ -	$ -	$ 22,992

Payables at August 31, 2025 were as follows:

	Accounts	Salaries and Benefits	Due to Other Funds	Due to Other Gov'ts	Other	Total Payables
Governmental Activities:						
General Fund	$ 285,436	$ 3,633,521	$ 179,423	$ 255,556	$ -	$ 4,353,936
Capital Projects Fund	-	-	-	-	-	-
Debt Service Fund	-	-	-	157,479	-	157,479
Nonmajor Governmental Fund	96,458	297,677	551	-	-	394,686
Total-Governmental Activities	$ 381,894	$ 3,931,198	$ 179,974	$ 413,035	$ -	$ 4,906,101
Business Type Activities:						
Internal Service Fund	$ 3,940	$ -	$ -	$ -	$ -	$ 3,940
Total Business Type Activities	$ 3,940	$ -	$ -	$ -	$ -	$ 3,940
Fiduciary Funds:						
Private Purpose Trust Funds	$ -	$ -	$ -	$ -	$ -	$ -
Custodial Funds	149	-	4,209	-	-	4,358
Total Agency Funds	$ 149	$ -	$ 4,209	$ -	$ -	$ 4,358

E. CAPITAL ASSET ACTIVITY

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

	Beginning Balance	Additions	Adjustments & Retirements	Ending Balance
Governmental Activities:				
Assets Not Being Depreciated:				
Land	$ 4,401,639	$ -	$ -	$ 4,401,639
Assets with Depreciation:				
Buildings and Improvements	149,458,892	-	-	149,458,892
Furniture and Equipment	10,635,342	1,316,529	(211,677)	11,740,194
Totals at Historic Cost	164,495,873	1,316,529	(211,677)	165,600,725
Less Accumulated Depreciation for:				
Buildings and Improvements	(65,906,366)	(4,598,022)	-	(70,504,388)
Furniture and Equipment	(7,261,157)	(928,423)	211,677	(7,977,903)
Total Accumulated Depreciation	(73,167,523)	(5,526,445)	211,677	(78,482,291)
Total Assets being Depreciated, Net	91,328,350	(4,209,916)	-	87,118,434
Right-to-Use (RTU) Leased Assets:				
Leased Equipment	634,529	-	-	634,529
Less Accumulated Amortization	(351,787)	(94,278)	-	(446,065)
Total RTU Assets being Amortized, Net	282,742	(94,278)	-	188,464
SBITA Assets:				
Subscription Assets	186,501	284,333	(113,054)	337,780
Less Accumulated Amortization	(104,362)	(103,791)	113,054	(95,099)
Total SBITA Assets being Amortized, Net	82,139	180,542	-	262,681
Governmental Activities Capital Assets, Net	$ 91,693,231	$ (4,123,652)	$ -	$ 87,569,579

Depreciation and amortization expense was charged to governmental functions as follows:

	Depreciation	Amortization for RTU Lease Assets	Amortization for SBITA
Instruction	$ 2,728,207	$ 67,611	$ 76,540
Instructional Resources and Media Services	97,738	-	-
Curriculum Development and Instructional Staff Development	17,872	-	-
Instructional Leadership	7,284	-	-
School Leadership	274,950	-	-
Guidance, Counseling and Evaluation Services	121,980	-	-
Health Services	39,459	-	-
Student (Pupil) Transportation	266,622	13,516	-
Food Services	342,753	-	-
Extracurricular Activities	1,004,402	-	-
General Administration	154,072	-	-
Facilities Maintenance and Operations	390,455	9,039	-
Security and Monitoring Service	39,939	-	14,365
Data Processing Services	31,680	4,112	12,886
Capital Outlay	5,332	-	-
Payments to Fiscal Agent/Member Districts of Shared Service Arrangements	3,700	-	-
	$ 5,526,445	$ 94,278	$ 103,791

F. BONDS, RIGHT-TO-USE LEASE, AND SBITA PAYABLES

Bonds Payable - Bonded indebtedness of the District is reflected in the Statement of Net Position. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. A summary of changes in general long-term debt for the year ended August 31, 2025 is as follows:

Description	Interest Rate Payable	Amounts Original Issue	Interest Current Year	Payable Amounts Outstanding 09/01/24	Retired	Outstanding 08/31/25
Unlimited Tax Refunding Bonds, Series 2016, Maturing serially through 2/15/32	4.00-5.00%	$25,250,000	$ 644,400	$ 16,290,000	$ 1,660,000	$ 14,630,000
Unlimited Tax School Building Bonds, Series 2017, Maturing serially through 2/15/42	3.00-5.00%	85,800,000	3,782,650	79,700,000	1,550,000	78,150,000
Total			$ 4,427,050	$ 95,990,000	$ 3,210,000	$ 92,780,000

Changes in debt-related deferred outflows of resources for the fiscal year ended August 31, 2025 were:

	Balance at August 31, 2025, As Adjusted	Retired/ Refunded	Balance at August 31, 2025
Deferred Loss on Defeasance of Bonds	$ 293,979	$ 38,980	$ 254,999

Debt service requirements are as follows:

	Governmental Activities		
Year Ending August 31,	Principal	Interest	Total
2026	$ 3,455,000	$ 4,260,425	$ 7,715,425
2027	3,660,000	4,091,975	7,751,975
2028	3,865,000	3,923,200	7,788,200
2029	4,075,000	3,755,000	7,830,000
2030	4,280,000	3,587,900	7,867,900
2031-2035	25,220,000	14,713,200	39,933,200
2036-2040	32,740,000	7,801,125	40,541,125
2041-2042	15,485,000	733,325	16,218,325
Totals	$ 92,780,000	$ 42,866,150	$ 135,646,150

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2025.

A portion of the Series 2016 Refunding Bonds consisted of capital appreciation bonds. The District retired these bonds during the 2017-18 fiscal year.

Right-to-Use Lease Payable - The District has entered into agreements to lease certain equipment. The lease agreements qualify as other than short-term leases under GASB 87 Leases and therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception. There were no payments recorded in the current year that were not included in the measurement of the right-to-use lease liability, no commitments prior to the commencement of the lease contract, and no lease impairments as of August 31, 2025.

The leases entered into agreement with the District are at follows:

Agreements with DataMax for District-wide copiers; monthly payments of $8,652; lease liability measured using a discount rate of 5.50%; inception of the lease is August 2022 with 60 monthly payments ending July 2027.

Description	Discount Interest Rate	Original Lease Liability	Interest Current Year	Amounts Outstanding 09/01/24	Additions	Retired	Amounts Outstanding 08/31/25
Enterprise Fleet Management, maturing through 1/2025	3.25%	$ 179,479	$ 29	$ 3,541	$ -	$ 3,541	$ -
DataMax, maturing through 7/2027	5.50%	455,050	13,091	279,201	-	90,737	188,464
Total			$ 13,120	$ 282,742	$ -	$ 94,278	$ 188,464

The future minimum lease obligations and the net present value of these minimum lease payments as of August 31, 2025 were as follows:

	Governmental Activities		
Year Ending August 31,	Principal	Interest	Total
2026	$ 95,855	$ 7,973	$ 103,828
2027	92,609	2,566	95,175
Totals	$ 188,464	$ 10,539	$ 199,003

SBITA - The District has entered into subscription-based agreements. The agreements qualify under GASB 96 and therefore, have been recorded at the present value of the future minimum payments as of the date of their inception. There were no payments recorded in the current year that were not included in the measurement of the SBITA liability, no commitments prior to the commencement of the contract, and no SBITA impairments as of August 31, 2025.

The SBITA agreements with the District are at follows:

Agreement with Imagine Learning for Edgenuity online digital library; two annual payments of $36,585; liability measured using a discount rate of 8.5%; inception date of 8/21/2023 for a period of 24 months.

Agreement with Imagine Learning for Edgenuity online digital library; three annual payments of $41,349; liability measured using a discount rate of 7.5%; inception date of 8/21/2025 for a period of 36 months.

Agreement with Engage Premium for cloud-based management system; three annual payments of $26,017; one time implementation fee of $1,350; liability measured using a discount rate of 8.5%; inception date of 9/01/2023 for a period of 36 months.

Agreement with BitDefender for Gravity Zone Bus Security; annual payments of $16,611, $22,148, and $5,537; liability measured using a discount rate of 7.5%; inception date of 12/20/2022 for a period of 36 months.

Description	Discount Interest Rate	Original Lease Liability	Interest Current Year	Amounts Outstanding 09/01/24	Additions	Retired	Amounts Outstanding 08/31/25
Edgenuity Online Digital Library 2023	8.5%	$ 70,304	$ 2,627	$ 30,909	$ -	$ 30,909	$ -
Gravity Zone Bus Security	7.5%	42,750	386	5,151	-	5,151	-
Engage Premium Cloud-based Mgmt System	8.5%	73,447	3,917	46,079	-	22,100	23,979
Edgenuity Online Digital Library 2025	7.5%	115,592	-	-	115,592	3,446	112,146
Total			$ 6,930	$ 82,139	$ 115,592	$ 61,606	$ 136,125

The future minimum lease obligations and the net present value of these minimum lease payments as of August 31, 2025 were as follows:

	Governmental Activities		
Year Ending August 31,	Principal	Interest	Total
2026	$ 64,864	$ 2,502	$ 67,366
2027	36,003	5,345	41,348
2028	35,258	2,644	37,902
Totals	$ 136,125	$ 10,491	$ 146,616

G. DEFINED BENEFIT PENSION PLAN

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

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

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

Benefits Provided – TRS provides service and disability retirement, as well as death and survivor benefits to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries

times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provision 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.

Contributions – Contribution requirements are established or amended pursuant to 16, Section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6 percent of the member's annual compensation and a state contribution rate of not less than 6 percent and not more than 10 percent of the aggregate annual compensation paid to members of the System during the fiscal year. *Contribution Rates can be found in the TRS 2024 ACFR, Note 11, on page 87.*

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.

The following table shows contribution rates by type of contributor for the measurement year 2024 and the contributions by type of contributions reported by TRS which were received by TRS during the TRS measurement year 2024. The reported contributions from the member and the employers are included in the calculation of the district's proportionate share of the net pension liability.

Contribution Rates

	2024
Member	8.25%
Non-Employer Contributing Entity (State)	8.25%
Employers	8.25%
District's FY 2025 Employer Contributions	$ 1,435,564
District's FY 2025 Member Contributions	$ 3,108,071
2024 Measurement Year NECE On-behalf Contributions	$ 2,084,630

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, form non-educational and general, or local funds.

In addition to the employer contributions listed above, there is a surcharge an employer is subject to:

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

Actuarial Assumptions - The total pension liability in the August 31, 2023 actuarial was determined using the following actuarial assumptions: *Actuarial Assumptions can be found in the 2024 TRS ACFR, Note 11, page 88-89.*

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 bonds traders..
Last year ending August 31 in Projection Period (100 years)	2123
Inflation	2.30%
Salary Increases	2.95% to 8.95% including inflation
Ad hoc Post Employment Benefit Changes	None

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

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

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

The long-term rate of return on pension plan investments is 7.00 percent. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2024 (see page 56 of the 2024 TRS ACFR) are summarized below:

Asset Class	Target Allocation % **	Long-Term Expected Geometric Real Rate of Return ***	Expected Contributed to Long-Term Portfolio Returns
Global Equity			
USA	18.0%	4.4%	1.0%
Non-US Developed	13.0	4.2	0.8
Emerging Markets	9.0	5.2	0.7
Private Equity	14.0	6.7	1.2
Stable Value			
Government Bonds	16.0	1.9	0.4
Stable Value Hedge Funds	5.0	3.0	0.2
Absolute Return *	0.0	4.0	0.0
Real Return			
Real Estate	15.0	6.6	1.2
Energy, Natural Resources, & Infrastructure	6.0	5.6	0.4
Commodities	0.0	2.5	0.0
Risk Parity	8.0	4.0	0.4
Asset Allocation Leverage			
Cash	2.0	1.0	0.0
Asset Allocation Leverage	(6.0)	1.3	(0.1)
Inflation Expectation			2.4
Volatility Drag ****			(0.7)
Expected Return	**100.0%**		**7.9%**

* Absolute Return includes Credit Sensitive Investments.
** Target allocations are based on the FY2024 policy model.
*** Capital Market Assumptions come from 2024 SAA Study CMA Survey (as of 12/31/2023).
**** The volatility drag results from the conversion between arithmetic and geometric mean returns.

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

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
District's proportionate share of the net pension liability:	$ 24,986,459	$ 15,643,391	$ 7,901,995

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At August 31, 2025, the District reported a liability of $15,643,391 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	$ 15,643,391
State's proportionate share that is associated with District	22,596,255
Total	$ 38,239,646

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

At August 31, 2024 the employer's proportion of the collective net pension liability was .0256095636% which was an decrease of .0020761050% from its proportion measured as of August 31, 2023.

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

Changes in Benefits – The 2023 Texas Legislature passed Senate Bill 10 (SB10), 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 on-time stipends and $3,355 billion for COLAs. This appropriation is treated as a supplemental contribution and included in other additions. Since the Legislature appropriated funds for this one-time stipend and COLA, there was no impact on the Net Pension Liability of TRS.

For the year ended August 31, 2025, the District recognized pension expense of $5,155,863 and revenue of $2,700,630 for support provided by the State in the Government-Wide Statement of Activities.

At August 31, 2025, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources: (The amounts shown below will be the cumulative layers from the current and prior years combined.) *The current year amounts can be found on the GASB 68 Plan Level Schedule of Deferred Inflows and Outflows file, collective plan totals (future amortization) in columns G and H.*

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experience	$ 862,242	$ 122,136
Changes in actuarial assumptions	807,702	108,285
Difference between projected and actual investment earnings	95,091	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,590,895	1,096,082
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	1,435,564	-
Total	$ 4,791,494	$ 1,326,503

The net amounts of the employer's balances of deferred outflows and inflows (not including the deferred contribution paid subsequent to the measurement date) of resources related to pensions will be recognized by the district in pension expense as follows:

Year ended August 31:	Pension Expense Amount
2026	$ 272,053
2027	1,975,413
2028	356,281
2029	(503,239)
2030	(71,082)
Thereafter	1

H. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLAN

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

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

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

Benefits Provided – TRS-Care provides health insurance coverage to retirees from public and charter schools, regional education service centers, and other educational districts who are members of the TRS pension system. 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.

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

TRS-Care Monthly Premium rates

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

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

Texas Insurance Code, Section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 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 school. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act which is 0.75 percent of each active employee's pay for fiscal year 2024. The following table shows contributions to the TRS-Care plan by type of contributor as reported for the district by TRS for the TRS measurement year. The district and member contributions reported are included in the calculation of the district's proportionate share of the Net TRS-Care liability for the measurement period.

Contribution Rates

	2024
Active Employee	0.65%
Non-Employer Contributing Entity (State)	1.25%
Employers	0.75%
Federal/Private Funding Remitted by Employers	1.25%

District's Measurement Year 2024 Employer Contributions	$ 308,973
District's Measurement Year 2024 Member Contributions	$ 244,682
District's Measurement Year 2024 NECE On-Behalf Contributions	$ 413,083

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

Actuarial Assumptions – The actuarial valuation was performed as of August 31, 2023. Update procedures were used to roll forward the total OPEB liability to August 31, 2024. The actuarial valuation was determined using the following actuarial assumptions: *Actuarial Assumptions can be found in the 2024 TRS ACFR, Note 9, pages 78-79.*

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

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2023 rolled forward to August 31, 2024
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.87% as of August 31, 2024
Aging Factors	Based on the Society of Actuaries "2013 Study "Health Care Costs – From Birth to Death".
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Salary Increases	2.95% to 8.95% including inflation
Ad hoc Post Employment Benefit Changes	None

From 2024 TRS ACFR, Note 9, page 79.

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

Discount Rate – A single discount rate of 3.87 percent was used to measure the total OPEB liability. This was an decrease of 0.26 percent in the discount rate since the previous year. *The Discount Rate can be found in the 2024 TRS ACFR on page 79.*

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 Buyers's "20-Bond GO index" as of August 31, 2024 using the Fixed Income Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

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

	1% Decrease in Discount Rate (2.87%)	Current Single Discount Rate (3.87%)	1% Increase in Discount Rate (4.87%)
District's proportionate share of the Net OPEB Liability:	$ 13,087,398	$ 11,015,895	$ 9,342,089

Healthcare Trend Rate Sensitivity Analysis – The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the Net OPEB Liability:	$ 8,970,811	$ 11,015,895	$ 13,680,843

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs – At August 31, 2025, the District reported a liability of $11,015,895 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 District were as follows:

District's Proportionate share of the collective Net OPEB liability	$ 11,015,895
State's proportionate share that is associated with the District	13,802,767
Total	$ 24,818,662

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 thru August 31, 2024.

At August 31, 2024 the employer's proportion of the collective net OPEB liability was .0362943612%, which was an decrease of .0024477465% as of August 31, 2023.

Changes in Actuarial Assumptions 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: *These can be found in the 2024 TRS ACFR on page 79.*

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

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

For the year ended August 31, 2025, District recognized OPEB expense of $(2,693,983) and revenue of $(1,794,105) for support provided by the State.

At August 31, 2025, 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: (The amounts shown below will be the cumulative layers for the current and prior years combined.) The current year amounts can be found on the GASB 75 Plan Level Schedule of Deferred Inflows and Outflows file, collective plan totals (future amortization) in columns G and H.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 2,111,377	$ 5,497,529
Changes in actuarial assumptions	1,409,904	3,594,359
Difference between projected and actual investment earnings	-	30,848
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	2,727,020	1,100,530
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	308,973	-
Total	$ 6,557,274	$ 10,223,266

The net amounts of the employer's balances of deferred outflows and inflows (not including the deferred contribution paid subsequent to the measurement date) of resources related to OPEB will be recognized by the district in OPEB expense as follows:

Year ended August 31:	OPEB Expense Amount
2026	$ (1,174,310)
2027	(675,385)
2028	(946,131)
2029	(752,933)
2030	(362,298)
Thereafter	(63,908)

I. HEALTH CARE COVERAGE AND MEDICARE- ACTIVE EMPLOYEES

Plan Description. The District participates in the Curative insurance program. Curative is a nationwide program developed for employer-based health coverage to employees (and their dependents). Optional life and long-term care insurance are also provided to active members and retirees. The district began participating with Curative during the 2024-25 year as the district's exclusive provider. This is a premium-based plan. Payments are made on a monthly basis for all covered employees.

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 year ended August 31, 2025, 2024, and 2023 the subsidy payments received by TRS-Care on-behalf of the District were $266,029, $191,514, and $191,437, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements of the District.

J. SELF-INSURED WORKERS' COMPENSATION

During the year ended August 31, 2025, employees of the District were covered by a Workers' Compensation Self-Insurance Joint Fund. This plan is established pursuant to Texas Labor Code Annotated Ch. 504 (Workers' Compensation Insurance Coverage for Employees of Political Subdivisions) and Texas Government Code Ch. 791 (the Interlocal Cooperation Act).

The contract between the Whitehouse Independent School District and the third-party administrator was renewed for five years on September 1, 2024, and terms and coverage and contribution costs are included in the contractual provisions. In accordance with state statute, the District was protected against unanticipated losses in excess of the self-insurance maximum amount of $242,878 through Safety National Casualty Corporation.

Estimates of claims payable and of claims incurred, but not reported at August 31, 2025, are reflected as accounts and claims payable. This liability reported in the fund at August 31, 2025, is 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 as of the date of the financial statements, and the amount of loss can be reasonably estimated. Because actual claim liabilities depend on such complex factors as inflation, changes in legal

doctrines, and damage awards, the process used in computing the liability does not result necessarily in an exact amount. The plan is funded to discharge liabilities as they become due.

Changes in the balances of claims liabilities during the past year are as follows:

	Year Ended August 31, 2025
Unpaid claims, beginning of the year	$ 225,899
Incurred claims (including IBNR's)	87,341
Claim payments	(58,279)
Unpaid claims, end of fiscal year	$ 254,961

At August 31, 2025, the District had a funded cash reserve of $712,954 to provide for these claims and future claims.

K. CHANGES IN LONG-TERM LIABILITIES

Long-term activity for the year ended August 31, 2025 was as follows:

	Beginning Balances	Additions	Reductions and Accretion	Ending Balances	Due Within One Year
Bonds Payable	$ 95,990,000	$ -	$ 3,210,000	$ 92,780,000	$ 3,455,000
Discount on Issuance Of Debt	7,018,068	-	755,394	6,262,674	685,507
Compensated Absences *	2,949,185	1,026,653	-	3,975,838	1,273,425
Right-to-Use Lease	282,742	-	94,278	188,464	95,855
Right-to-Use SBITA	82,139	115,592	61,606	136,125	64,864
TRS Net Pension Liability	19,017,383	-	3,373,992	15,643,391	-
TRS Net OPEB Liability	8,576,846	2,439,049	-	11,015,895	-
Long-Term Activities	$133,916,363	$ 3,581,294	7,495,270	$130,002,387	$5,574,651

* Beginning Balance of $2,949,185 consists of the beginning balance of $219,000 and the adjustment for GASB 101 of $2,730,185.

L. UNAVAILABLE/UNEARNED REVENUE

Unavailable revenue at year end consisted of the following.

	General Fund	Debt Service Fund	Special Revenue Fund
Unavailable Revenue – Property Taxes	$ 575,682	$ 167,705	$ -
Unearned School Nutrition	-	-	117,077
Total Unavailable Revenue	$ 575,682	$ 167,705	$ 117,077

M. DUE FROM OTHER GOVERNMENTS

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

Fund	State Entitlements	Federal Grants	Total
General Fund	$ 2,120,713	$ -	$ 2,120,713
Debt Service	65,685	-	65,685
Special Revenue	468,914	625,311	1,094,225
Total	$ 2,655,312	$ 625,311	$ 3,280,623

N. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

During the current year, revenues from local and intermediate sources as shown on the governmental activities financials consisted of the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Special Revenue Fund	Total
Property Taxes	$22,620,431	$5,394,938	$ -	$ -	$28,015,369
Food Sales	-	-	-	820,977	820,977
Investment Income	702,162	168,851	184,708	39,872	1,095,593
Penalties, Interest and Other Tax Related Income	205,378	46,314	-	-	251,692
Enterprise-Campus Activity	-	-	-	168,366	168,366
Athletics	164,098	-	-	4,366	168,464
Insurance Recovery	39,008	-	-	-	39,008
Other	228,371	-	-	236,127	464,498
	$23,959,448	$5,610,103	$ 184,708	$1,269,708	$31,023,967

O. JOINT VENTURE SHARED SERVICE ARRANGEMENTS

The district participates in the Tyler Regional Day School Program for the Deaf to provide special education services for the hearing impaired. Funds in the amount of $131,947 were paid to Tyler ISD as fiscal agent for 2024-25.

The district participates in the SuperNet SSA which provides Internet services and distance learning to its members. Funds in the amount of $40,512 were paid to White Oak ISD as fiscal agent for 2024-25.

The district participates in a JJAEP (Juvenile Justice Alternative Education Program) SSA, operated under the authority of the Smith County Juvenile Board, to provide alternative education services for the students who face expulsion or are placed in the program by a Juvenile Court Judge. Funds in the amount of $7,333 were paid to Tyler ISD as fiscal agent for 2024-25.

P. LITIGATION AND CONTINGENCIES

There are various claims filed against the District. The District believes that any liability that may ultimately result from the resolution of these matters will not have a material effect on the financial condition or results of operations of the District.

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, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 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 combined financial statements for such contingencies.

Q. RELATED ORGANIZATIONS

The WISD Foundation (the "Foundation"), a not-for-profit entity which was organized to provide funding for innovation in instruction and other district functions, is a "related organization" of the District as defined by ***Governmental Accounting Standards Board Statement No. 14***. The members of the board of the Foundation are appointed by the existing members of the Foundation's board.

R. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2025, the district purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

McCALL PARKHURST & HORTON

Focused on Public Finance since 1919.

Proposed Form of Opinion of Bond Counsel

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

WHITEHOUSE INDEPENDENT SCHOOL DISTRICT
UNLIMITED TAX REFUNDING BONDS, SERIES 2026

IN THE AGGREGATE PRINCIPAL AMOUNT OF $_____

AS BOND COUNSEL for the Whitehouse Independent School District (the "District"), the issuer of the Bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the date specified in the text of the Bonds, at the rates and payable on the dates as stated in the text of the Bonds, maturing all in accordance with the terms and conditions stated in the text of the Bonds.

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

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

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code").

IN EXPRESSING THE AFOREMENTIONED OPINIONS, we have relied on and assume continuing compliance with, certain representations contained in the federal tax certificate of the District and covenants set forth in the order adopted by the District to authorize the issuance of the Bonds, relating to, among other matters, the use of the project and the investment and expenditure of the proceeds and certain other amounts used to pay or to secure the payment of debt service on the Bonds, the accuracy of which we have not independently verified. We call your attention to the fact that if such representations are determined to be inaccurate or if the District fails to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds, including the amount, accrual or receipt of interest on, the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

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

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

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the District, and, in that capacity, we have been engaged by the District for the sole purpose of rendering our opinions with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently

investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the District, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the District as to the current outstanding indebtedness of, and assessed valuation of taxable property within the District. Our role in connection with the District's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

Respectfully,

McCall, Parkhurst & Horton L.L.P.

APPENDIX D

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

The information below concerning the Texas Permanent School Fund and the Guarantee Program for School District Bonds has been provided by the Texas Education Agency and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the District or the Underwriter.

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 1 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 FUND[1]

Fiscal Year Ending	2016	2017	2018	2019	2020	2021	2022	2023[2]	2024	2025
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	415	-	-
Per Student Distribution	215	212	247	306	347	347	341	432	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.

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

[1] Includes only distributions made to the ASF by the SBOE; see the immediately preceding table for amounts of direct SLB distributions to the ASF. In addition, the SLB 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	Range[1]
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.

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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.

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	7,860.0	8,084.6	(224.6)	-2.7%
Total Domestic Equity	11,592.4	11,735.9	(143.5)	-1.2%
International Equity	5,093.7	4,131.1	962.6	23.3%
TOTAL EQUITY	16,686.1	15,867.0	819.1	5.2%
FIXED INCOME				
Domestic Fixed Income	-	-	-	-
U.S. 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	5,525.2	4,648.1	877.1	18.9%
TOT ALT INVESTMENTS	31,128.2	25,071.8	6,056.4	24.2%
UNALLOCATED CASH	1,335.0	2,583.2	(1,248.2	-48.3%
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]

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

[1] Unaudited figures from Table 5 in the FY 2025 Unaudited Annual Financial Report of the Texas General Land Office and Veterans Land Board.
[2] Historical Cost of investments at August 31, 2025 was: Sovereign Lands $838,676.44; Discretionary Internal Investments $830,739,719.64; Other Lands $37,306,005.32; and Minerals $13,437,552.03.
[3] Includes an estimated 1,000,000.00 acres in freshwater rivers.
[4] Includes an estimated 1,747,600.00 in excess acreage.
[5] Cash in State Treasury is managed by the Treasury Operations Division of the Comptroller of Public Accounts of the State of Texas.
[6] Future Net Revenues discounted at 10% and then adjusted for risk factors. A mineral reserve report is prepared annually by external third-party petroleum engineers.

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

THE SCHOOL DISTRICT BOND GUARANTEE PROGRAM

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

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

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

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

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

THE CHARTER DISTRICT BOND GUARANTEE PROGRAM

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

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

Pursuant to the CDBGP Rules, the Education Commissioner annually determines the ratio of charter district students to total public school students, for the 2026 fiscal year, the ratio is 8.17%. At February 23, 2026, there were 182 active open-enrollment charter schools in the State and there were 1,027 charter school campuses authorized under such charters, though as of such date, 264 of such campuses are not currently serving students for various reasons; therefore, there are 958 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.

Changes in SBOE-determined multiplier for State Capacity Limit

Date	Multiplier
Prior to May 2010	2.50
May 2010	3.00
September 2015	3.25
February 2017	3.50
September 2017	3.75
February 2018 (current)	3.50

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

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

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

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

Based upon historical performance of the Fund, the legal restrictions relating to the amount of bonds that may be guaranteed has

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

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

2017 LEGISLATIVE CHANGES TO THE CHARTER DISTRICT BOND GUARANTEE PROGRAM

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

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

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

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

CHARTER DISTRICT RISK FACTORS

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

Other than credit support for charter district bonds that is provided to qualifying charter districts by the Charter District Bond Guarantee Program, State funding for charter district facilities construction is limited to a program established by the Legislature in 2017, which provides $60 million per year for eligible charter districts with an acceptable performance rating for a variety of funding purposes, including for lease or purchase payments for instructional facilities. Since State funding for charter facilities is limited, charter schools generally issue revenue bonds to fund facility construction and acquisition, or fund facilities from cash flows of the school. Some charter districts have issued non-guaranteed debt in addition to debt guaranteed under the Charter District Bond Guarantee Program, and such non-guaranteed debt is likely to be secured by a deed of trust covering all or part of the charter district's facilities. In March 2017, the TEA began requiring charter districts to provide the TEA with a lien against

charter district property as a condition to receiving a guarantee under the Charter District Bond Guarantee Program. However, charter district bonds issued and guaranteed under the Charter District Bond Guarantee Program prior to the implementation of the new requirement did not have the benefit of a security interest in real property, although other existing debts of such charter districts that are not guaranteed under the Charter District Bond Guarantee Program may be secured by real property that could be foreclosed on in the event of a bond default.

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

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

RATINGS OF BONDS GUARANTEED UNDER THE GUARANTEE PROGRAM

Moody's Investors Service, Inc., 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 $4,872.7million, $279.8 million, $153.1 million, and $989.2 million, respectively

Permanent School Fund Guaranteed Bonds

At 8/31	Principal Amount[1]
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.

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Permanent School Fund Guaranteed Bonds by Category[1]

	School District Bonds		Charter District Bonds		Totals	
Fiscal Year Ended 8/31	No. of Issues	Principal Amount ($)	No. of Issues	Principal Amount ($)	No. of Issues	Principal Amount ($)
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	3433	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 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 credit, absolute return, private equity, real estate, natural resources, and infrastructure. For a description of the accrual basis of accounting and more information about performance, including comparisons to established benchmarks for certain periods, please see the 2025 Annual Report which is included by reference herein.

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PSF Returns Fiscal Year Ended 8-31-2025[1]

Portfolio	Return	Benchmark Return[2]
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, interest in real estate, mineral and royalty interest, and real property holdings. For more information regarding the investments of the PSF(SLB), please see the 2025 Unaudited Annual Financial Report of the Texas General Land Office and Veterans Land Board.

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

OTHER EVENTS AND DISCLOSURES

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

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

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

PSF CONTINUING DISCLOSURE UNDERTAKING

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

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

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

ANNUAL REPORTS

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

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

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

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

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

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

EVENT NOTICES

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

AVAILABILITY OF INFORMATION

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

LIMITATIONS AND AMENDMENTS

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

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

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

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

COMPLIANCE WITH PRIOR UNDERTAKINGS

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

SEC EXEMPTIVE RELIEF

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

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