OFFICIAL STATEMENT
Dated July 29, 2026

NEW ISSUE – BOOK ENTRY ONLY

Enhanced/Unenhanced Ratings:
Moody's: "Aaa" / "A1"
PSF: "Guaranteed"
(See "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "OTHER PERTINENT INFORMATION – Municipal Bond Rating" herein)

In the opinion of Bond Counsel, assuming the accuracy of certain representations and certifications, and continuing compliance with certain tax covenants, under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. Interest on the Bonds included in the adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. See "TAX MATTERS" herein for a description of certain other federal tax consequences of ownership of the Bonds.

$153,430,000
ROYAL INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Waller County)
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2026A

Dated Date: August 15, 2026 **Due: As shown on page ii herein**
Interest to Accrue from Date of Delivery (defined below)

AUTHORITY FOR ISSUANCE AND SECURITY … The Royal Independent School District (the "District") is issuing its Unlimited Tax School Building Bonds, Series 2026A (the "Bonds") pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended, Chapter 1371, Texas Government Code, as amended, elections held in the District on November 4, 2025 and May 2, 2026 (the "Elections"), and an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Trustees (the "Board") of the District on June 15, 2026. In the Bond Order, the District delegated pricing of the Bonds and certain other matters to certain officials of the District (each, a "Pricing Officer"). A Pricing Officer approved a "Pricing Certificate" on the date of the sale of the Bonds, which contains the final terms of sale and completed the sale of the Bonds. The Bond Order and the Pricing Certificate are collectively referred to herein as the "Order". The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable from an annual ad valorem tax levied, without legal limit as to the rate or amount, against all taxable property within the District (see "THE BONDS – Authority for Issuance"). The District has received conditional approval from the Texas Education Agency for the payment of principal of and interest on the Bonds to be guaranteed under the Permanent School Fund Guarantee Program, which guarantee will automatically become effective when the Attorney General of Texas approves the Bonds. See "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein.

PAYMENT TERMS … Interest on the Bonds will accrue from the Date of Delivery, will be payable on February 15 and August 15 of each year, commencing February 15, 2027, until stated maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds will be issued as fully registered obligations in principal denominations of $5,000 or any integral multiple thereof within a stated maturity. The definitive Bonds will be registered and delivered to Cede & Co., as the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. DTC will act as the initial securities depository (the "Securities Depository") for the Bonds. Book-entry interests in the Bonds will be made available for purchase in the principal amount of $5,000 or any integral multiple thereof. **Purchasers of the Bonds ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Bonds purchased.** So long as DTC or its nominee is the registered owner of the Bonds, principal of and interest on the Bonds (as applicable) will be payable by the Paying Agent/Registrar, initially BOKF, NA, Dallas, Texas, to the Securities Depository, which will in turn remit such principal and interest to its participants, which will in turn remit such principal and interest to the Beneficial Owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

PURPOSE … Proceeds from the sale of the Bonds will be used for (i) the construction, acquisition, and equipment of school buildings (with priority given to a new high school and related facilities, including, but not limited to, a new livestock barn and new fine arts and other new learning spaces), (ii) the construction, renovation, improvement, and equipment of stadium facilities and related improvements (with priority given to a new stadium complex to be used for football, soccer, band, and other similar educational and extracurricular purposes), and (iii) paying the costs of issuing the Bonds. See "PLAN OF FINANCING – Sources and Uses of Funds" herein.

For Stated Maturities, Principal Amounts, Interest Rates, Initial Yields, CUSIP Numbers, and Redemption Provisions for the Bonds, see page ii herein

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The Bonds are offered for delivery when, as and if issued and received by the Underwriters of the Bonds named below (the "Underwriters") and are subject to the approving opinion of the Attorney General of the State of Texas and the opinion of Leon, Alcala, Morse & Reynolds, PLLC, Austin, Texas, Bond Counsel (see "APPENDIX C – FORM OF BOND COUNSEL'S OPINION" hereto). Certain matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas. It is expected that the Bonds will be available for delivery through DTC on or about August 25, 2026 (the "Date of Delivery").

J.P. MORGAN

STIFEL **RBC CAPITAL MARKETS** **TEXAS CAPITAL SECURITIES**

STATED MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL YIELDS, CUSIP NUMBERS, AND REDEMPTION PROVISIONS

$153,430,000
ROYAL INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Waller County)
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2026A

CUSIP No. Prefix 780699 [1]

$77,805,000 Serial Bonds

Maturity Date (2/15)	Principal ($)	Interest Rate (%)	Initial Yield[2][3] (%)	CUSIP No. Suffix[1]
2027	6,325,000	5.00	2.63	WD2
2028	2,310,000	5.00	2.72	WE0
2029	2,430,000	5.00	2.84	WF7
2030	2,555,000	5.00	2.93	WG5
2031	2,685,000	5.00	3.05	WH3
2032	2,825,000	5.00	3.12	WJ9
2033	2,965,000	5.00	3.26	WK6
2034	3,120,000	5.00	3.36	WL4
2035	3,280,000	5.00	3.46	WM2
2036	3,450,000	5.00	3.51	WN0
2037	3,625,000	5.00	3.65[3]	WP5
2038	3,810,000	5.00	3.74[3]	WQ3
2039	4,005,000	5.00	3.83[3]	WR1
2040	4,210,000	5.00	3.92[3]	WS9
2041	4,425,000	5.00	3.98[3]	WT7
2042	4,655,000	5.00	4.02[3]	WU4
2043	4,895,000	5.00	4.08[3]	WV2
2044	5,145,000	5.00	4.14[3]	WW0
2045	5,405,000	5.00	4.18[3]	WX8
2046	5,685,000	5.00	4.26[3]	WY6

$75,625,000 Term Bonds

$33,110,000 5.00% Term Bonds Due February 15, 2051 to Yield 4.58%[3] CUSIP No.[1] Suffix WZ3

$42,515,000 5.00% Term Bonds Due February 15, 2056 to Yield 4.70%[3] CUSIP No.[1] Suffix XA7

(Interest to accrue from the initial Date of Delivery)

The District reserves the option to redeem the Bonds maturing on and after February 15, 2037 in whole or in part before their respective scheduled maturity dates, in the principal amount of $5,000 or any integral multiple thereof, on February 15, 2036, or on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption. Additionally, the Bonds maturing on February 15, 2051 and February 15, 2056 (the "Term Bonds") are also subject to mandatory sinking fund redemption prior to stated maturity. See "THE BONDS – Redemption Provisions of the Bonds" herein.

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[1] CUSIP numbers are included solely for the convenience of the owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the Underwriters, the District, or the Municipal Advisor (or their agents or counsel) is responsible for the selection or correctness of the CUSIP numbers set forth herein. CUSIP numbers for the Bonds are subject to change after the issuance as a result of various post-issuance events, including, but not limited to, a partial defeasance of the Bonds.

[2] Initial yields at which Bonds are priced are established by and are the sole responsibility of the Underwriters, and subject to certain hold-the-offering-price restrictions in the purchase agreement with the District, may be changed at any time at the Underwriters' discretion.

[3] Yield calculated based on the assumption that the Bonds denoted and sold at a premium will be redeemed on February 15, 2036, the first optional call date for such Bonds, at a redemption price of par plus accrued interest to the redemption date.

ROYAL INDEPENDENT SCHOOL DISTRICT
3714 FM 359
Pattison, Texas 77466

BOARD OF TRUSTEES

Name	Position	Term Expiration
Scott Hartman	President	November 2026
Cori Vahalik	Vice President	November 2026
Melissa Woods	Secretary	November 2028
Jimmy Meader	Trustee	November 2026
Rose Jones	Trustee	November 2028
Elton Foster	Trustee	November 2028
Traci Seward	Trustee	November 2026

ADMINISTRATION – FINANCE CONNECTED

Name	Position
Dr. Megan C. Pape	Superintendent
Kim Bishop	Chief Financial Officer

CONSULTANTS AND ADVISORS

Bond Counsel	Leon, Alcala, Morse & Reynolds, PLLC, Austin, Texas
Municipal Advisor	Live Oak Public Finance, LLC, Austin, Texas
Auditor	Pattillo, Brown & Hill, L.L.P., Waco, Texas

For Additional Information Contact:

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Royal Independent School District
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Pattison, Texas 77466
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1515 S. Capital of Texas Hwy., Suite 206
Austin, Texas 78746
(512) 726-5547
cmerritt@liveoakpf.com

USE OF INFORMATION IN THE OFFICIAL STATEMENT

No dealer, broker, salesman, or other person has been authorized by the District or the Underwriters to give any information or to make any representation with respect to the Bonds, other than as 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 either of the foregoing.

This Official Statement, including the cover page and appendices hereto, does not constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale. The information set forth herein has been obtained from sources that 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 District or the Underwriters.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the information or opinions set forth herein after the date of this Official Statement. See "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM – PSF Continuing Disclosure Undertaking" and "CONTINUING DISCLOSURE" for a description of the undertakings of the Texas Education Agency ("TEA") and the District, respectively, to provide certain information on a continuing basis.

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

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

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE SEC 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 THESE BONDS HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION FOR THE PURCHASE THEREOF.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE THE MARKET PRICE OF THIS ISSUE 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, Municipal Advisor or the Underwriters make 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 caption "BOOK-ENTRY-ONLY SYSTEM" or the affairs of TEA described under the caption "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM", as such information has been provided by DTC and TEA, respectively.

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

NEITHER THE UNITED STATES SEC NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE BONDS OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

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

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

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

THE DISTRICT	The Royal Independent School District (the "District") is a political subdivision of the State of Texas (the "State" or "Texas") located in Waller County. The District is governed by a seven-member Board of Trustees (the "Board"). Board trustees serve staggered four-year terms with elections being held in November of each even-numbered year. Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools who is the chief administrative officer of the District. The District is approximately 159.98 square miles in area. The District has an estimated population of 17,182. See "INTRODUCTION – Description of the District".
AUTHORITY FOR ISSUANCE	The Bonds are issued pursuant to the Constitution and general laws of the State, including particularly Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended, Chapter 1371, Texas Government Code, as amended, elections held in the District on November 4, 2025 and May 2, 2026 (the "Elections"), and an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Trustees (the "Board") of the District on June 15, 2026. In the Bond Order, the District delegated pricing of the Bonds and certain other matters to certain officials of the District (each, a "Pricing Officer"). A Pricing Officer approved a "Pricing Certificate" on the date of the sale of the Bonds, which contains the final terms of sale and completed the sale of the Bonds. The Bond Order and the Pricing Certificate are collectively referred to herein as the "Order". See "THE BONDS – Authority for Issuance".
THE BONDS	The Bonds shall mature on the dates and in the amounts set forth on page ii of this Official Statement. See "THE BONDS – Description of the Bonds".
DATED DATE	August 15, 2026.
PAYMENT OF INTEREST ...	Interest on the Bonds will accrue from the Date of Delivery and will be payable on February 15 and August 15 of each year, commencing February 15, 2027, until stated maturity or prior redemption. See "THE BONDS – Description of the Bonds".
REDEMPTION	The District reserves the right to redeem the Bonds maturing on and after February 15, 2037, in whole or in part, in the principal amount of $5,000 or any integral multiple thereof, on February 15, 2036 or any date thereafter, at the redemption price of par plus accrued interest to the date of redemption. Additionally, the Bonds maturing on February 15, 2051 and February 15, 2056 (the "Term Bonds") are also subject to mandatory sinking fund redemption prior to stated maturity. See "THE BONDS – Redemption Provisions of the Bonds" herein.
SECURITY FOR THE BONDS	The Bonds constitute direct and voted obligations of the District payable from a continuing direct annual ad valorem tax levied against all taxable property located therein, without legal limitation as to rate or amount. See "THE BONDS - Security and Source of Payment".
PERMANENT SCHOOL FUND GUARANTEE	The District has received conditional approval from the Texas Education Agency for the payment of principal of and interest on the Bonds to be guaranteed under the Permanent School Fund Guarantee Program, which guarantee will automatically become effective when the Attorney General of Texas approves the Bonds. See "APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein.
TAX MATTERS	In the opinion of Bond Counsel, assuming the accuracy of certain representations and certifications, and continuing compliance with certain tax covenants, under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. Interest on the Bonds included in the adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. See "TAX MATTERS" herein for a description of certain other federal tax consequences of ownership of the Bonds.
NOT QUALIFIED TAX-EXEMPT OBLIGATIONS……..	The District has **not** designated the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions.
PAYING AGENT/REGISTRAR	The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas.
MUNICIPAL BOND RATING …	Moody's Investors Service, Inc. ("Moody's") has assigned an underlying, unenhanced rating of "A1" to the Bonds. Moody's has also assigned a rating of "Aaa" to the Bonds based upon the Permanent School Fund Guarantee. Moody's generally rates all bond issues guaranteed by the Permanent School Fund of the State of Texas "Aaa". See "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein. The District also has certain unlimited tax debt issues outstanding that 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. Such issues are also rated "A+" by S&P without regard to credit enhancement. The District has **not** submitted an application to S&P for a rating on the Bonds. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the views of such organization and the District makes no representation as to the appropriateness of the ratings. (see "THE BONDS – Permanent School Fund Guarantee" and "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "OTHER PERTINENT INFORMATION – Municipal Bond Rating" herein).
USE OF PROCEEDS ……	Proceeds from the sale of the Bonds will be used for (i) the construction, acquisition, and equipment of school buildings (with priority given to a new high school and related facilities, including, but not limited to, a new livestock barn and new fine arts and other new learning spaces), (ii) the construction, renovation, improvement, and equipment of

	stadium facilities and related improvements (with priority given to a new stadium complex to be used for football, soccer, band, and other similar educational and extracurricular purposes), and (iii) paying the costs of issuing the Bonds. See "PLAN OF FINANCING - Purpose" and "—Sources and Uses of Funds".
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. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM".
PAYMENT RECORD	The District has never defaulted on the payment of its bonded indebtedness.
DELIVERY	When issued, anticipated to occur on or about August 25, 2026 (the "Date of Delivery").
LEGALITY	The Bonds are subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by Leon, Alcala, Morse & Reynolds, PLLC, Austin, Texas, Bond Counsel. See "APPENDIX C – FORM OF BOND COUNSEL'S OPINION" herein.

OFFICIAL STATEMENT

Relating to

$153,430,000
ROYAL INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Waller County)
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2026A

INTRODUCTION

This Official Statement, which includes the appendices hereto, provides certain information regarding the issuance of the $153,430,000 Royal Independent School District (the "District") Unlimited Tax School Building Bonds, Series 2026A (the "Bonds"). The Bonds are being issued pursuant to the Constitution and general laws of the State, including particularly Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended, Chapter 1371, Texas Government Code, as amended, elections held in the District on November 4, 2025 and May 2, 2026 (the "Elections"), and an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Trustees (the "Board") of the District on June 15, 2026. In the Bond Order, the District delegated pricing of the Bonds and certain other matters to certain officials of the District (each, a "Pricing Officer"). A Pricing Officer approved a "Pricing Certificate" on the date of the sale of the Bonds, which contains the final terms of sale and completed the sale of the Bonds. The Bond Order and the Pricing Certificate are collectively referred to herein as the "Order". The Bonds are direct and voted 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. See "THE BONDS – Authority for Issuance".

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

Included in this Official Statement are descriptions of the Bonds, the Order and certain other information about 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 upon request from the District and, during the offering period, from the District's Municipal Advisor, Live Oak Public Finance, LLC, 1515 S. Capital of Texas Hwy., Suite 206, Austin, Texas 78746 by electronic mail without charge or by standard mail upon payment of reasonable copying, mailing, and handling charges.

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

Description of the District

The District is a political subdivision of the State and is located in Waller County. The District is governed by a seven-member 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 for (i) the construction, acquisition, and equipment of school buildings (with priority given to a new high school and related facilities, including, but not limited to, a new livestock barn and new fine arts and other new learning spaces), (ii) the construction, renovation, improvement, and equipment of stadium facilities and related improvements (with priority given to a new stadium complex to be used for football, soccer, band, and other similar educational and extracurricular purposes), and (iii) paying the costs of issuing the Bonds.

Sources and Uses of Funds

The proceeds from the sale of the Bonds will be applied approximately as follows:

Sources of Funds:	
Par Amount of Bonds	$153,430,000.00
Reoffering Premium on the Bonds	7,930,438.65
TOTAL SOURCES	$161,360,438.65
Uses of Funds:	
Deposit to Construction Fund	$160,000,000.00
Underwriters' Discount	800,482.64
Costs of Issuance and Contingency[(1)]	559,956.01
TOTAL USES	$161,360,438.65

[(1)] Includes legal fees of the District, Municipal Advisory fees, rating agency fees, fees of the Paying Agent/Registrar, and other costs of issuance.

THE BONDS

Description of the Bonds

The Bonds will be dated August 15, 2026 (the "Dated Date") and shall mature on the dates and in the amounts set forth on page ii. Interest on the Bonds will accrue from the Date of Delivery, will be payable on February 15 and August 15 of each year, commencing February 15, 2027, 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 only in fully registered form in principal denominations of $5,000 or any integral multiple thereof within a stated maturity.

Interest on the Bonds is payable to the registered owners appearing on the bond registration books kept by the Paying Agent/Registrar relating to the Bonds (the "Bond Register") on the Record Date (detailed 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 stated maturity or prior redemption upon their presentation and surrender to the Paying Agent/Registrar.

The definitive Bonds will initially be registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 principal amount or integral multiples thereof. No physical delivery of the Bonds will be made to the owners thereof. Debt service 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 purchasers of the Bonds ("Beneficial Owners"). See "BOOK-ENTRY-ONLY SYSTEM" herein.

Authority for Issuance

The Bonds are being issued pursuant to the Constitution and general laws of the State particularly Texas Education Code, Sections 45.001 and 45.003(b)(1), as amended, Chapter 1371, Texas Government Code, as amended, the Elections, and the Order.

Security and Source of Payment

The Bonds constitute direct obligations of the District payable from a continuing and direct annual ad valorem tax levied against all taxable property located within the District, without legal limitation as to rate or amount. See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM". Additionally, the payment of the Bonds is expected to be guaranteed by the corpus of the Permanent School Fund of the State of Texas. See "—Permanent School Fund Guarantee", "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM", and "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM".

Permanent School Fund Guarantee

In connection with the sale of the Bonds, the District has received conditional approval from the Commissioner of Education for the payment of the Bonds to be guaranteed under the Permanent School Fund Guarantee Program pursuant to Chapter 45, Subchapter C of the Texas Education Code. Subject to certain conditions discussed under "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM", 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, Beneficial Owners will receive all payments due on the Bonds from the corpus of the Permanent School Fund.

The Permanent School Fund Guarantee will terminate with respect to Bonds that are defeased. See "THE BONDS – Defeasance."

Redemption Provisions of the Bonds

Optional Redemption

The District reserves the right to redeem the Bonds maturing on and after February 15, 2037, in whole or in part, in the principal amount of $5,000 or any integral multiple thereof, on February 15, 2036 or any date thereafter, at the redemption price of par plus accrued interest to the date of redemption. When the Bonds or portions thereof have been called for redemption and due provisions have been made to redeem the Bonds, the amounts so redeemed shall be payable solely from the funds provided for redemption, and interest which would otherwise accrue on the Bonds or portions thereof called for redemption shall terminate on the date fixed for redemption.

Mandatory Redemption

The Bonds maturing on February 15, 2051 and February 15, 2056 (the "Term Bonds") are also subject to mandatory sinking fund redemption prior to stated maturity from moneys required to be deposited into the debt service fund for the Bonds for such purpose and shall be redeemed in part, by lot or other customary method, at the principal amount thereof plus accrued interest to the date of redemption in the following principal amounts on February 15 in each of the years as set forth below:

$33,110,000 Term Bond Due February 15, 2051		**$42,515,000 Term Bond Due February 15, 2056**	
Mandatory Redemption Date (2/15)	Principal Amount ($)	Mandatory Redemption Date (2/15)	Principal Amount ($)
2047	5,975,000	2052	7,675,000
2048	6,285,000	2053	8,070,000
2049	6,605,000	2054	8,480,000
2050	6,945,000	2055	8,915,000
2051*	7,300,000	2056*	9,375,000

*Stated Maturity

The Paying Agent/Registrar will select by lot or by any other customary method that results in a random selection the specific Term Bonds (or with respect to Term Bonds having a denomination in excess of $5,000, each $5,000 portion thereof) to be redeemed by mandatory redemption. The principal amount of Term Bonds to be mandatorily redeemed in each year shall be reduced by the principal amount of such Term Bonds that have been, on or before the 45th day before the applicable mandatory redemption date, acquired by the District or optionally redeemed and which have not been made the basis for a previous reduction.

Selection of Bonds for Redemption

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

Notice of Redemption

Not less than 30 days prior to a redemption date for the Bonds, the Paying Agent/Registrar, at the direction of the District shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to each registered owner of a Bond to be redeemed, in whole or in part, at the address of the holder appearing on the Bond Register at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER ONE OR MORE BONDHOLDERS FAILED TO RECEIVE SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING

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

In the Order, the District reserves the right in the case of an optional redemption to give notice of its election or direction to redeem Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date or (ii) the District retains the right to rescind such notice at any time prior to the scheduled redemption date if the District delivers a certificate of the District to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Bonds subject to conditional redemption where redemption has been rescinded shall remain outstanding, and the rescission shall not constitute an event of default. Further, in the case of a conditional redemption, the failure of the District to make moneys and/or authorized securities available in part or in whole on or before the redemption date shall not constitute an event of default.

DTC Redemption Provisions

The Paying Agent/Registrar and the District, so long as the 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 such notice or any such notice. Redemption of portions of the Bonds by the District will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds from the Beneficial Owners. Any such selection of Bonds to be redeemed will not be governed by the Order and will not be conducted by the District or the Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Bonds for redemption. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Defeasance

The Order provides that the Bonds may be defeased, refunded or discharged in any manner permitted by applicable law. Under current State law, such discharge may be accomplished by either (i) depositing with the Paying Agent/Registrar, the Comptroller of Public Accounts of the State of Texas or other authorized escrow agent a sum of money equal to the principal of and all interest to accrue on the Bonds to maturity or prior redemption or (ii) by depositing with a paying agent, or other authorized escrow agent, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested in (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 of the United States of America, and that 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 obligations to refund the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent. The foregoing obligations may be in book-entry-only form, and shall mature and/or bear interest in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. If any such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Order.

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

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

be included in any redemption notices that it authorizes. Defeasance will automatically cancel the Permanent School Fund Guarantee with respect to those defeased Bonds.

The Order does not contractually limit defeasance investments to those described above. As a result, the holders of the Bonds may be deemed to have consented to other defeasance investments in the event that Texas law is changed to allow for such other defeasance investments.

Amendments to Order

The District may, from time to time and at any time amend the Order without the consent of any Beneficial Owner in any manner not detrimental to the interests of the Beneficial Owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the District may, with the written consent of the holders of a majority in aggregate principal amount of the Bonds then outstanding, amend, add to, or rescind any of the provisions of the Order; except that, without the consent of all of the beneficial owners of the Bonds then outstanding, no such amendment, addition, or rescission shall (i) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof or the rate of interest thereof or in any other way modify the terms of payment of the principal or interest on the Bonds, (ii) give any preference to any Bond over any other Bond, or (iii) reduce the percentage of the aggregate principal amount of Bonds required to be held for beneficial owners for consent to any amendment, addition, or waiver, or rescission.

Default and Remedies

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Order, the registered owners may seek a writ of mandamus to compel District officials to carry out their legally imposed duties with respect to the Bonds, if there is no other available remedy at law to compel performance of the Bonds or Order and the District's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the District to perform in accordance with the terms of the Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. In so ruling, the Court declared that statutory language such as "sue and be sued", in and of itself, did not constitute a clear and unambiguous waiver of sovereign immunity. In *Tooke*, the Court noted the enactment in 2005 of sections 271.151-.160, Texas Local Government Code (the "Local Government Immunity Waiver Act"), which, according to the Court, waives "immunity from suit for contract claims against most local governmental entities in certain circumstances." The Local Government Immunity Waiver Act covers school districts and relates to contracts entered into by school districts for providing goods or services to school districts. The District is not aware of any State court construing the Local Government Immunity Waiver Act in the context of whether contractual undertakings of local governments that relate to their borrowing powers are contracts covered by the Local Government Immunity Waiver Act. Chapter 1371, Texas Government Code, as amended ("Chapter 1371"), which forms part of the authority for the issuance of the Bonds, permits the District to waive governmental immunity in the proceedings authorizing the issuance of the Bonds. However, the District has not waived the defense of governmental immunity with respect thereto. Because it is unclear whether the Legislature (defined herein) has effectively waived the District's governmental immunity from a suit for money damages beyond Chapter 1371, registered owners may not be able to bring such a suit against the District for breach of the Bonds or Order covenants. In addition, the enforcement of a claim for the payment of a Bond would be subject to the applicable provisions of federal bankruptcy laws and any other statutes affecting the rights of creditors of political subdivisions and may be limited by general principles of equity. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by State courts. In general, State courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. State courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally-imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract). 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 United States Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or

state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it.

The opinion of Bond Counsel will be qualified with respect to the customary rights of debtors relative to their creditors and may be limited by general principles of equity that 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.

Payment Record

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

Legality

The Bonds are offered when, as, and if issued, and subject to the approval of legality by the Attorney General of the State of Texas and the opinion of the District's Bond Counsel, Leon, Alcala, Morse & Reynolds, PLLC, Austin, Texas. See "LEGAL MATTERS" and "APPENDIX C – FORM OF BOND COUNSEL'S OPINION" herein.

Delivery

When issued; anticipated to occur on or about August 25, 2026.

Future Issues

On November 4, 2025, the District's voters authorized the District to issue $356,632,995 in unlimited ad valorem tax bonds ($350,632,995 for School Building and $6,000,000 for Land Purchase). The District previously issued bonds utilizing $40,000,000 of the School Building authorization from the November 4, 2025 election. The Bonds will be the second installment of this authorization, and the District expects to apply bond proceeds (principal and allocated premium) in the aggregate amount of $154,622,816 against the same (leaving $156,010,179 of bonds unissued for School Building and $6,000,000 for Land Purchase).

On May 2, 2026, the District's voters authorized the District to issue $72,000,000 in unlimited ad valorem tax bonds for Stadium Facilities. The Bonds will be the first installment of this authorization, and the District expects to apply bond proceeds (principal and allocated premium) in the aggregate amount of $5,377,184 against the same (leaving $66,622,816 of bonds unissued for Stadium Facilities).

Aside from the Bonds and any refunding bonds issued for debt service savings, the District does not anticipate the issuance of additional new money ad valorem tax-supported debt in the next twelve months.

In addition to issuing voter authorized bonds, the District may, without voter approval, enter into other financial obligations, including maintenance tax notes payable from its collection of maintenance taxes, public property finance contractual obligations, delinquent tax notes, and leases for various purposes payable from State appropriations and surplus maintenance taxes.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. The Order provides for the District's right to replace the Paying Agent/Registrar. The District covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State 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 changes 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.

Record Date for Interest Payment

The record date ("Record Date") for determining the person to whom the interest payable on the Bonds on any interest payment date means the close of business on the last business day of the month next preceding such interest payment date.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received. 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 (5) 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 Bond Register at the close of business on the last business day next preceding the date of mailing of such notice.

Registration, Transferability and Exchange

In the event the Book-Entry-Only System shall be discontinued, printed certificates will be issued to the registered owners of the Bonds and thereafter the Bonds may be transferred, registered, and assigned on the Bond Register only upon presentation and surrender of such printed certificates to the Paying Agent/Registrar, and such registration and transfer 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 and transfer. A Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or 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 registered mail to the new registered owner at the registered owner's request, risk and expense. 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 seventy-two (72) hours after the receipt of the Bonds to be canceled in the exchange or transfer 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 authorized denominations and for a like kind and aggregate principal amount and having the same maturity or maturities as the Bond or Bonds surrendered for exchange or transfer. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

Limitation on Transfer of Bonds

Neither the District nor the Paying Agent/Registrar are required (i) to make any transfer or exchange during a period beginning at the opening of business 45 days before the day of the first mailing of a notice of redemption of Bonds and ending at the close of business on the day of such mailing, or (ii) to transfer or exchange any Bond called for redemption in whole or in part during the 45–day period immediately prior to the date fixed for redemption; provided, however, that such limitation shall not apply to the transfer or exchange by the Owner of the unredeemed portion of a Bond called for redemption in part.

BOOK-ENTRY-ONLY SYSTEM

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

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

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security 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 United States Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the 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-only system for the Bonds is discontinued.

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

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

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. 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, physical bond certificates are required to be printed and delivered.

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

Use of Certain Terms in Other Sections of This Official Statement

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

Effect of Termination of Book-Entry-Only System

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the District, printed physical Bond certificates will be issued to the respective holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Order and summarized under the caption "REGISTRATION, TRANSFER AND EXCHANGE" above.

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.

AD VALOREM TAX PROCEDURES

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. 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 county-wide 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 Waller 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. See "AD VALOREM TAX PROCEDURES — District and Taxpayer Remedies."

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property, or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property. Through December 31, 2026, an appraisal district is prohibited from increasing the appraised value of real property during the 2026 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than $5.32 million (the "maximum property value") to an amount exceeding the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property (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 that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified as both agricultural and open-space land.

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

State Mandated Homestead Exemptions

State law grants, with respect to school district taxes imposed 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 residence 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 a general 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.

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

Personal Property

Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property. From and after the 2026 tax year, a person is entitled to an exemption from taxation by a taxing unit of $125,000 of the appraised value of the tangible personal property the person owns that is held or used for the production of income and has taxable situs at the same location in the taxing unit. A person who leases tangible personal property is also entitled to a tax exemption of $125,000, regardless of where the property is located in the taxing unit.

Freeport and Goods-In-Transit Exemptions

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

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

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

Other Exempt Property

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

Temporary Exemption for Qualified Property Damaged by a Disaster

The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. Except in situations where the territory is declared a disaster on or after the date the taxing unit adopts a tax rate for the year in which the disaster declaration

is issued, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the governor declares the area to be a disaster area.

Section 11.35 of the Property Tax Code was amended to clarify that the temporary tax exemption applies only to property physically harmed as a result of a declared disaster. For more information on the exemption, reference is made to Section 11.35 of the Property Tax Code, as amended.

Tax Increment Reinvestment Zones

A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones ("TIRZ") within its boundaries. At the time of the creation of the TIRZ, a "base value" for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the "tax increment." During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units. Taxes levied and collected by each participating taxing unit on the captured appraised value of real property located in the TIRZ are paid, in the portion such taxing unit has agreed to contribute, into the tax increment fund for the TIRZ and may be used only to pay project costs of, and debt service on tax increment obligations issued for, the TIRZ; such amounts 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 (former Chapter 313, Texas Tax Code, as amended ("Chapter 313")) previously allowed school districts to grant limitations on appraised property values to certain entities to encourage economic development within the school district. Generally, during 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. The 87th Texas Legislature did not vote to extend this program, which expired by its terms on December 31, 2022 (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - State Funding for School Districts").

During the regular session of the 88th Texas Legislature, House Bill 5 (codified as Chapter 403, Texas Government Code, Subchapter T. Texas Jobs, Energy, Technology and Innovation Act ("Chapter 403")) was enacted into law. Chapter 403 is intended as a replacement of former Chapter 313, but it contains significantly different provisions than the prior program under Chapter 313. The effective date of Chapter 403 was 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 taxes securing the Bonds cannot be abated under Chapter 403.** Eligible projects are limited and include manufacturing, dispatchable power generation facilities, technology research/development facilities, or critical infrastructure projects. Projects must create and maintain jobs, as well as meet certain minimum investment requirements. The District does not expect that Chapter 403 will have any material adverse effect on its ability to repay the Bonds or its finances or operations more generally.

For a discussion of how the various exemptions described above are applied by the District, see "THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT" 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 (being (i) commercial real and personal property, (ii) real and personal property of utilities, (iii) industrial and manufacturing real and personal property, and (iv) multifamily residential real property) with a taxable value in

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

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

Levy and Collection of Taxes

The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and generally 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 small 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, commencing on February 1 and ending on August 1, and without penalty or interest. See "AD VALOREM TAX PROCEDURES – Temporary Exemption for Qualified Property Damaged by a Disaster" for further information related to a discussion of the applicability of this section of the Property Tax Code.

District's Rights in the Event of Tax Delinquencies

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

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

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

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

THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT

The Appraisal District has the responsibility for appraising property in the District as well as other taxing units in Waller County. The Appraisal District is governed by a board of five directors appointed by the governing bodies of various political subdivisions within Waller County. The District's taxes are collected by the Waller County Tax Assessor/Collector.

The District provides the State-mandated exemption to the market value of residence homesteads of $140,000.

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

The District has granted an additional general local optional homestead exemption of 1% of the market value of residence homesteads with a minimum exemption of $5,000.

The District has not granted a local option, additional exemption for persons 65 years of age or older or for disabled veterans above the amount of the State-mandated exemption.

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

The District does not tax non-business personal property.

The District does tax freeport property.

The District has not taken action to tax "goods-in transit."

The District is not currently a participant in any tax increment financing zones.

The District does not allow split payments and does not give discounts for early payment of taxes.

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

Litigation Relating to the Texas Public School Finance System

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

On May 13, 2016, the Court issued its opinion in the most recent school finance litigation, Morath v. The Texas Taxpayer & Student Fairness Coal., 490 S.W.3d 826 (Tex. 2016) ("Morath I"). The plaintiffs and intervenors in the case had alleged that the Finance System, as modified by the Legislature in part in response to prior decisions of the Court, violated article VII, section 1 and article VIII, section 1-e of the Texas Constitution. In its opinion, the Court held that "[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 suit in the 126th Judicial District Court of Travis County, Texas, styled *Midland Independent School District, et al. v. Mike Morath, Commissioner of Education, et al.* (Cause No. D-1-GN-26-006002), against Mike Morath, in his official capacity as Commissioner of Education, and the State of Texas ("*Morath II*"). The suit is an original action for declaratory judgment and challenges the constitutionality of the Finance System.

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

Possible Effects of Changes in Law on District Bonds

The Court's decision in Morath I upheld the constitutionality of the Finance System but noted that the Finance System was "undeniably imperfect". While not compelled by the Morath I decision to reform the Finance System, the Legislature could enact future changes to the Finance System. Any such changes could benefit or be a detriment to the District. If the Legislature enacts future changes to, or fails to adequately fund, the Finance System, or if changes in circumstances otherwise provide grounds for a challenge, the Finance System could be challenged again in the future. In its 1995 opinion in Edgewood

Independent School District v. Meno, 917 S.W.2d 717 (Tex. 1995), the Court stated that any future determination of unconstitutionality "would not, however, affect the district's authority to levy the taxes necessary to retire previously issued bonds, but would instead require the Legislature to cure the system's unconstitutionality in a way that is consistent with the Contract Clauses of the U.S. and Texas Constitutions" (collectively, the "Contract Clauses"), which prohibit the enactment of laws that impair prior obligations of contracts.

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

Overview

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

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

2025 Legislative Sessions

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

Enacted legislation increased: (1) effective January 1, 2025, the State-mandated general homestead exemption from $100,000 to $140,000, (2) effective January 1, 2025, the additional exemption on the residence homesteads of those at least sixty-five (65) years of age or disabled from $10,000 to $60,000, and (3) effective January 1, 2026, the exemption for tangible personal property used in the production of income from $2,500 to $125,000. Voters approved constitutional amendments authorizing the new exemptions at a statewide election held on November 4, 2025. Additionally, enacted legislation authorized roughly $8.5 billion in funding for public schools and provided districts with a $55 per-student increase to their base funding beginning September 1, 2025, as well as additional funding for teacher and staff salaries, educator preparation, special education, safety requirements and early childhood learning.

Finally, enacted legislation created an Education Savings Account ("ESA") Program (commonly referred to as vouchers) for students that attend private schools or are homeschooled. The legislation became effective September 1, 2025, when the State fiscal biennium began, though families will not receive ESA funds until the 2026-2027 school year. The amount spent for purposes of the program for the 2026-2027 biennium may not exceed $1 billion. Beginning on September 1, 2027, the legislation requires the 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. At this time, the District cannot make any representations as to the full impact of such legislation. The District can make no representations or predictions regarding the scope of legislation that may be considered in any special session or future session of the Legislature. However, the District does intend to monitor any such legislation.

Local Funding for School Districts

A school district's M&O tax rate is composed of two distinct parts: the "Tier One Tax Rate," which is the local M&O tax rate required for a school district to receive any part of the basic level of State funding (referred to herein as "Tier One") under the Foundation School Program, as further described below, and the "Enrichment Tax Rate," which is any local M&O tax effort in excess of its Tier One Tax Rate. 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 State Compression Percentage is the lesser of three alternative calculations: (i) 93% or a lower percentage set by appropriation for a school year; (ii) a percentage determined by formula if the estimated total taxable property value of the State (as submitted annually to the Legislature by the State Comptroller) has increased by at least 2.5% over the prior year; and (iii) the prior year SCP. For any year, the maximum SCP is 93%. For the State fiscal year ending in 2026, the SCP is set at 63.22%. 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's MCR). However, each year the TEA shall evaluate the MCR for each school district in the State, and for any given year, if a school district's MCR is calculated to be less than 90% of any other school district's MCR for the current year, then the school district's MCR is 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. For the 2025-2026 school year, the Legislature reduced the MCR, establishing $0.6322 as the maximum rate and $0.5689 as the floor. For the 2026-2027 school year, the MCR was established with $0.6254 as the maximum rate and $0.5628 as the floor.

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. See "– State Funding for School Districts – Tier Two" herein.

State Funding for School Districts

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

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

The Basic Allotment for a school district with a Tier One Tax Rate equal to the school district's MCR, is $6,160 plus the guaranteed yield increment adjustment (the "GYIA") for each student in ADA and is revised downward for a school district with a Tier One Tax Rate lower than the school district's MCR. The GYIA is established by October 1 of each even-numbered year for the subsequent biennium. For the 2026-27 biennium, the GYIA is set at $55. In subsequent biennia, the TEA will calculate the GYIA, which will be determined as the estimated cost to the State to maintain the guaranteed Golden Pennies yield of State and local funds per weighted student per cent of tax effort at the 96th percentile. Effectively, the Legislature has adopted a policy change so that the Basic Allotment will automatically increase in future biennia, at a rate akin to the level of property values increases across the State.

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 postsecondary 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 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, Instructional Facilities Allotment, and New Instructional Facilities Allotment. The Foundation School Program also includes facilities funding components consisting of the IFA and the EDA, subject to legislative appropriation each State fiscal biennium. To the extent funded for a biennium, these programs assist school districts in funding facilities by, generally, equalizing a school district's I&S tax effort. The IFA guarantees each awarded school district a specified amount per

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

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

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

Beginning with the 2025-2026 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 as it existed on January 1, 2025, if any increase in a residence homestead exemption under the Texas Constitution, and any additional limitation on tax increases under the elderly or disabled tax ceiling had not occurred.

Local Revenue Level in Excess of Entitlement

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

not eligible to receive State aid under the Foundation School Program, although they may continue to receive State funds for certain competitive grants and certain programs that remain outside the Foundation School Program.

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

Options for Local Revenue Levels in Excess of Entitlement. Under Chapter 49, a school district has six (6) options to reduce local revenues to a level that does not exceed the school district's respective entitlements: (1) a school district may consolidate by agreement with one or more school districts to form a consolidated school district; all property and debt of the consolidating school districts vest in the consolidated school district; (2) a school district may detach property from its territory for annexation by a property-poor school district; (3) a school district may purchase attendance credits from the State; (4) a school district may contract to educate nonresident students from a property-poor school district by sending money directly to one or more property-poor school districts; (5) a school district may execute an agreement to provide students of one or more other school districts with career and technology education through a program designated as an area program for career and technology education; or (6) a school district may consolidate by agreement with one or more school districts to form a consolidated taxing school district solely to levy and distribute either M&O taxes or both M&O taxes and I&S taxes. A Chapter 49 school district may also exercise any combination of these remedies. Options (3), (4) and (6) require prior approval by the Chapter 49 school district's voters. A district that enters into an agreement to exercise an option to reduce the district's local revenue level in excess of entitlement under options (3), (4), or (5) for the 2025-2026 school year and that has not previously held an election to exercise said options may request and may receive approval from the 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.

THE SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT

For the 2025-2026 and 2026-2027 school years, the District was designated as an "excess local revenue" school district by TEA. Accordingly, the District has entered into a wealth equalization agreement with the Commissioner for the purchase of attendance credits for the 2025-2026 school year, for the purpose of implementing a permitted wealth equalization option under Chapter 49, Texas Education Code.

A district's local revenue levels must be tested for each future school year and, if local revenues exceed the district's entitlements, the district must reduce its wealth per student by the exercise of one of the permitted wealth equalization options. Accordingly, if the District's local revenues should exceed its entitlements in future school years, it will be required to exercise one or more of the permitted options to reduce local revenues.

If the District were to consolidate (or consolidate its tax base for all purposes) with a district not designated as an excess local revenue 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 an annexing district (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Revenue Level In Excess of Entitlement" herein).

TAX RATE LIMITATIONS

M&O Tax Rate Limitations

A school district is authorized to levy maintenance and operation ("M&O") taxes subject to approval of a proposition submitted to district voters. The maximum M&O tax rate that may be levied by a district cannot exceed the voted maximum rate or the

maximum rate described in the succeeding paragraphs. The District is authorized to levy an M&O tax rate pursuant to the approval of the voters of the District at an election held on December 4, 1965, under Article 2784e-1, Texas Revised Civil Statutes Annotated, as amended.

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

For the State fiscal year ending in 2026 (the 2025-2026 school year), the State Compression Percentage was set at 63.22% (making $0.6322 per $100 of taxable value the maximum MCR). The District's Local Compressed rate was lower than the State Compressed rate resulting in a MCR of $0.5728 per $100 of taxable value. For a detailed discussion of State funding for school districts, see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - State Funding for School Districts" herein.

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

I&S Tax Rate Limitations

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

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

Public Hearing and Voter-Approval Tax Rate

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

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

The Voter-Approval Tax Rate for a school district is the sum of (i) the school district's MCR; (ii) the greater of (a) the school district's Enrichment Tax Rate for the preceding year, or (b) the rate of $0.05 per $100 of taxable value; and (iii) the school district's current I&S tax rate (as described below). 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).

Effective for the 2026 tax year and thereafter, a district's current I&S tax rate defaults to a rate that provides the minimum dollar amount required to service the school district's debt for the current year (taking into account State assistance for debt service and any excess collections from the prior year not used to service debt), unless a higher rate is approved in accordance with Section 26.05(a-1), Texas Tax Code. Under Section 26.05(a-1), Texas Tax Code, the governing body of a school district may approve an I&S tax rate that exceeds such minimum rate only if (i) the rate is proposed by a motion that states the minimum rate, the proposed rate, the difference between the two rates, and the purpose for which the excess revenue will be used, and (ii) the motion is approved by at least 60 percent of the members of the governing body. If the governing body approves a higher I&S rate under such procedure, that rate is considered the current I&S rate for the applicable tax year, and the Voter-Approval Tax Rate is recalculated to reflect the higher I&S tax rate. This procedure does not limit the District's obligation to levy taxes at a rate sufficient to pay debt service on its outstanding obligations, including the Bonds. However, this tax rate setting limitation could constrain the District's ability to create a surplus from which the Bonds could be repaid in the event of unexpected delays in the receipt of I&S taxes.

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.

Except with respect to the required procedure to exceed the default minimum I&S tax rate (as discussed above), the calculation of the Voter-Approval Tax Rate does not limit or impact the District's ability to set an I&S tax rate in each year sufficient to pay debt service on all of the District's tax-supported debt obligations, including the Bonds.

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

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

DEBT LIMITATIONS

Under State law, there is no explicit bonded indebtedness limitation, although the tax rate limits described above under "TAX RATE LIMITATIONS" effectively impose a limit on the incurrence of debt. Such tax rate limits require school districts to demonstrate, prior to issuance, the ability to pay "new debt" from a tax rate of $0.50. In demonstrating compliance with the requirement, a district may take into account State equalization payments and, if compliance with such requirement is contingent on receiving state assistance, a district may not adopt a tax rate for a year for purposes of paying the principal of and interest on the bonds unless the district credits to the interest and sinking fund for the bonds the amount of State assistance received or to be received in that year. The State Attorney General reviews a district's calculations showing the compliance with such test as a condition to the legal approval of the debt. As stated above, the Bonds are issued as new debt and subject to this limitation.

EMPLOYEE BENEFITS, RETIREMENT PLAN AND OTHER POST-EMPLOYMENT BENEFITS

The District's employees participate in a retirement plan (the "Plan") with the State of Texas. The Plan is administered by the Teacher Retirement System of Texas ("TRS"). State contributions are made to cover costs of the TRS retirement plan up to certain statutory limits. The District is obligated for a portion of TRS costs relating to employee salaries that exceed the statutory limit. In accordance with GASB Statement No. 68, the District is required to report its proportionate share of net pension liability. This requirement applies only to pension benefits and does not apply to other post-employment benefits or TRS-Care related liabilities. On August 31, 2025, the District's share of TRS's net pension liability was $9,342,383. For more detailed information concerning the Plan, see "III. DETAILED NOTES ON ALL FUNDS – E. Defined Benefit Pension Plan" within Appendix B.

In addition to its participation in the TRS, the District contributes to the Texas Public School Retired Employees Group Insurance Program (the "TRS-Care Retired Plan"), a cost-sharing multiple-employer defined benefit post-employment health care plan administered by the TRS that provides health care coverage for certain persons (and their dependents) who retired under the TRS. The District has implemented GASB Statement No. 75 for accounting and financial reporting of Postemployment Benefits Other Than Pensions ("OPEB"). On August 31, 2025, the District's proportionate share of net OPEB liability was $6,881,948. For more detailed information concerning the TRS-Care Retired Plan, see "III. DETAILED NOTES ON ALL FUNDS – G. Defined Other Post-Employment Benefit Plans" within Appendix B.

Formal collective bargaining agreements relating directly to wages and other conditions of employment are prohibited by State law, as are strikes by teachers. There are various local, state and national organized employee groups who engage in efforts to better terms and conditions of employment of school employees. Some districts have adopted a policy to consult with employer groups with respect to certain terms and conditions of employment. Some examples of these groups are the Texas State Teachers Association, the Texas Classroom Teachers Association, the Association of Texas Professional Educators and the National Education Association.

INVESTMENT POLICIES

The District invests its funds in investments authorized by Texas law in accordance with investment policies approved by the Board. Both Texas law and the District's investment policies are subject to change.

Legal Investments

Under State law, the District is authorized to make investments meeting the requirements of the Public Funds Investment Act (Chapter 2256, Texas Government Code) (the "PFIA"), which currently include (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the District selects from a list the governing body or designated investment committee of the District adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in the State that the District selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the District's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the District appoints as the District's custodian of the banking deposits issued for the District's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission (the "SEC") and operating under SEC Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of the PFIA that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for District deposits, or (ii) certificates of deposits where (a) the funds are invested by the District through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the District as required by law, or (B) a depository institution that has its main office or branch office in the State that is selected by the District, (b) the broker or the depository institution selected by the District arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the District, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the District appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the District with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a

defined termination date, are secured by a combination of cash and obligations described in clause (1) above, clause (12) below, require the securities being purchased by the District or cash held by the District to be pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (13) no-load money market mutual funds registered with and regulated by the United States SEC that provide the District with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with federal SEC Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and (14) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and either (a) a duration of one year or more and invest exclusively in obligations described under this heading, or (b) a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. 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 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 ten (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.

Political subdivisions such as the District are authorized to implement securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) 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 (12) through (14) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less.

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 the probable income to be derived." At least quarterly the District's investment officers must submit an investment report to the Board detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and the fully accrued interest for 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.

Under State law, the District is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt by written instrument a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the District to disclose the relationship and file a statement with the Texas Ethics Commission and the Board; (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 entity's entire portfolio, requires an interpretation of subjective investment standards or relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority), and (c) deliver a written statement in a form acceptable to the District and the business organization attesting to these requirements; (5) in conjunction with its annual financial audit, perform a compliance 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.

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

LEGAL MATTERS

The delivery of the Bonds is subject to the approval of the Attorney General of Texas, who will deliver his 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 Leon, Alcala, Morse & Reynolds, PLLC, Bond Counsel, which will deliver its opinion to the effect that the Bonds are valid and legally binding obligations of the District and, subject to the qualifications set forth herein under "TAX MATTERS," Bond Counsel's opinion that the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under existing statutes, published rulings, regulations, and court decisions. The form of Bond Counsel's opinion is attached hereto as APPENDIX C. The legal fee to be paid to Bond Counsel is contingent upon the sale and delivery of the Bonds.

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" (exclusive of the subcaption "Sources and Uses of Funds", as to which no opinion is expressed), "THE BONDS" (exclusive of the subcaptions "Permanent School Fund Guarantee," "DTC Redemption Provisions," "Default and Remedies," "Payment Record," and "Future Issues," as to which no opinion is expressed), "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" (except information appearing under the subcaption "Possible Effects of Changes in Law on District Bonds," as to which no opinion is expressed), "CURRENT PUBLIC SCHOOL FINANCE SYSTEM," "TAX RATE LIMITATIONS" (excluding the last sentence of the second paragraph under the subcaption "I&S Tax Rate Limitations" and the subcaption "Public Hearing and Voter-Approval Tax Rate," in each case as to which no opinion is expressed), "LEGAL MATTERS" (only insofar as such caption describes Bond Counsel's opinions and specifically excluding the fourth paragraph thereof and the information under the subcaption "Litigation", as to which no opinion is expressed), "TAX MATTERS," "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," "CONTINUING DISCLOSURE" (excluding the information under the subcaption "Compliance with Prior Agreements," as to which no opinion is expressed), and "OTHER PERTINENT INFORMATION - Registration and Qualification of Bonds for Sale" in the Official Statement, excluding any material

that may be treated as included under such captions or subcaptions by cross-reference or reference to other documents or sources and further excluding all information regarding DTC and its book-entry-only system and information regarding the Permanent School Fund Guarantee, and such firm is of the opinion that insofar as such statements expressly summarize certain provisions of the Bonds and the Order or set out the content of Bond Counsel's opinion, such statements are accurate in all material respects.

Though it represents purchasers of school district bonds (which may include the Underwriters) from time to time in matters unrelated to the Bonds, Bond Counsel has been engaged by and only represents the District with respect to the issuance of the Bonds.

Certain legal matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas. The legal fee to be paid to underwriters' counsel is 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 expressly addressed therein. In rendering legal opinions, the attorneys do not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of such opinions guarantee the outcome of any legal dispute that may arise from the transaction.

Litigation

In the opinion of various officials of the District, except as disclosed in this Official Statement, there is no litigation or other proceeding pending against or, to their knowledge, threatened against the District in any court, agency, or administrative body (either state or federal) wherein an adverse decision would materially adversely affect the financial condition of the District.

At the time of the initial delivery of the Bonds, the District will provide the Underwriters with a certificate substantially 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.

TAX MATTERS

The Internal Revenue Code of 1986, as amended (the "Code"), includes requirements which the District must continue to meet after the issuance of the Bonds in order that the interest on the Bonds be and remain excludable from gross income for federal income tax purposes. The District's failure to meet these requirements may cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. The District has covenanted in the Order to take the actions required by the Code in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds.

In the opinion of Bond Counsel, assuming the accuracy of certain representations and certifications of the District and continuing compliance by the District with the tax covenants referred to above, under existing statutes, regulations, rulings and judicial decisions, interest on the Bonds is excludable from gross income of the holders thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. Bond Counsel will express no opinion as to any other federal, state or local tax consequences under present law or any proposed legislation regarding the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors as to the status of interest on the Bonds under the tax laws of any state.

Interest on the Bonds included in the adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax.

Except as described above, Bond Counsel will express no opinion regarding the federal income tax consequences resulting from the receipt or accrual of the interest on the Bonds, or the ownership or disposition of the Bonds. The accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the owners of the Bonds. The extent of these other tax consequences will depend upon such owner's particular tax status and other items of income or deduction. Purchasers of the Bonds, particularly purchasers that are corporations (including S corporations, foreign corporations operating branches in the United States of America, and certain corporations subject to the alternative minimum tax imposed on corporations), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Bonds. Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention, or to reflect any changes in law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of a particular result, and are not binding on the Internal Revenue Service ("IRS") or the courts;

rather, such opinions represent Bond Counsel's professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinion.

The IRS has initiated an expanded program for auditing tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. Under existing procedures relating to audits of tax-exempt obligations such as the Bonds by the IRS, owners of the Bonds would have little, if any, right to participate in the audit examination process. It is also possible that the market value of the Bonds might be adversely affected as a result of such an audit of the Bonds (or by an audit of similar bonds). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Bonds to the extent that it adversely affects the exclusion from gross income of interest on the Bonds or their market value.

Original Issue Premium and Discount

Certain of the Bonds ("Premium Bonds") may be offered and sold to the public at a price in excess of their stated redemption price at maturity (or earlier for certain Premium Bonds callable prior to maturity). That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Bond, based on the yield to maturity of that Premium Bond (or, in the case of a Premium Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Bond), compounded semiannually (or over a shorter permitted compounding interval selected by the owner). No portion of that bond premium is deductible by the owner of a Premium Bond. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity), or other disposition of a Premium Bond, the owner's tax basis in the Premium Bond is reduced by the amount of bond premium that amortizes during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Bond for an amount equal to or less than the amount paid by the owner for that Premium Bond.

Certain of the Bonds ("Discount Bonds") may be offered and sold to the public at an original issue discount ("OID"). OID is the excess of the stated redemption price at maturity over the "issue price" of a Discount Bond determined under Code Section 1273 or 1274 (i.e., for obligations issued for money in a public offering, the initial offering price to the public (other than to bond houses and brokers) at which a substantial amount of the obligation of the same maturity is sold pursuant to that offering). For federal income tax purposes, OID accrues to the owner of a Discount Bond over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of OID that accrues during the period of ownership of a Discount Bond (i) is interest excludable from the owner's gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as other interest on the Bonds, and (ii) is added to the owner's tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale or other disposition of that Discount Bond.

Owners of Discount and Premium Bonds should consult their own tax advisers as to the determination for federal income tax purposes of the amount of OID or bond premium properly accruable or amortizable in any period with respect to the Discount or Premium Bonds and as to other federal tax consequences, and the treatment of OID and bond premium for purposes of state and local taxes on, or based on, income.

Changes in Tax Law

From time to time, there are legislative proposals suggested, debated, introduced or pending that, if enacted into law, could alter or amend one or more of the tax matters described above including, without limitation, the excludability from gross income of interest on the Bonds, adversely affect the market price or marketability of the Bonds, or otherwise prevent the holders from realizing the full current benefit of the status of the interest thereon. It cannot be predicted whether or in what form any such proposal may be enacted, or whether, if enacted, any such proposal would affect the Bonds. Prospective purchasers of the Bonds should consult their tax advisors as to the impact of any proposed or pending legislation.

Information Reporting and Backup Withholding

Interest paid on tax-exempt bonds such as the Bonds is subject to information reporting to the IRS in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of interest on the Bonds from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of Bonds, under certain circumstances, to "backup withholding" at the rates set forth in the Code, with respect to payments on the Bonds and proceeds from the sale of Bonds. Any amount so withheld would be refunded or allowed as a credit against the federal income tax of such owner of Bonds. This withholding generally applies if the owner of Bonds (i) fails to furnish the payor such owner's social security number or other taxpayer identification number ("TIN"), (ii) furnished the payor an incorrect TIN, (iii) fails to properly report interest, dividends, or other "reportable payments" as defined in the Code, or (iv) under certain circumstances, fails to provide the payor or such owner's securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the Bonds may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

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.

Not Qualified Tax-Exempt Obligations

The District will **not** designate the Bonds as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Under the Texas Public Security Procedures Act (Texas Government Code, Chapter 1201, as amended), the Bonds (i) are negotiable instruments, (ii) are investment securities to which Chapter 8 of the Texas Uniform Commercial Code applies, and (iii) are legal and authorized investments for (A) an insurance company, (B) a fiduciary or trustee, or (C) a sinking fund of a municipality or other political subdivision or public agency of the State of Texas. The Bonds are eligible to secure deposits of any public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256, as amended), the Bonds may have to be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. See "OTHER PERTINENT INFORMATION – Municipal Bond Rating" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least $2 million of capital, and savings and loan associations.

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.

CYBERSECURITY

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

CONCENTRATION OF TAX BASE AND EXPOSURE TO DISTRIBUTION INDUSTRIES

As shown in "TABLE 8 - HISTORICAL TOP TEN TAXPAYERS" of "APPENDIX A – SELECTED FINANCIAL INFORMATION REGARDING THE DISTRICT" the top ten taxpayers in the District currently account for, in the aggregate, over 28% of the District's tax base and the top three taxpayers account for over 15% of the District's tax base. The valuation of Distribution Centers and other storage facilities within the State (such as those comprising a portion of the District's tax base), as determined by their respective appraisal districts, have been subject to litigation related to the taxable value of such property. The District can make no representations as to whether any taxpayer will challenge their taxable valuation or the impact of any such challenge. Accordingly, the District makes no representation regarding the continued valuation of any of the top ten taxpayers or the generation of future tax revenues therefrom. See "AD VALOREM TAX PROCEDURES – Personal Property" for information regarding exemption from taxation for personal property passed during the 2025 Legislative Sessions. If any major taxpayer (or a combination of taxpayers) were to default in the payment of taxes, the ability of the District to timely pay debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax lien (which, in the event of bankruptcy, certain laws may preclude until the automatic stay is lifted). Such process is time-consuming and can only occur annually. See "THE BONDS – Default and Remedies" and "THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT." Bondholders may become reliant upon the Permanent School Fund Guarantee in the event of a payment default by the District. See "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM."

WEATHER EVENTS

The District is located near the Texas Gulf Coast. Land located in this area is susceptible to, and land in the District has experienced on several occasions in the last five years, high winds, heavy rain and flooding caused by hurricanes, tropical storms, and other tropical disturbances. If a future weather event significantly damaged all or part of the properties comprising the tax base within the District, the assessed value of property within the District could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase in the District's tax rate. Texas law allows school districts to increase property tax rates without voter approval upon the occurrence of certain disasters such as floods and upon a gubernatorial or presidential declaration of disaster (see "TAX RATE LIMITATIONS – Public Hearing and Voter-Approval Tax Rate"). There can be no assurance that a casualty loss to taxable property within the District or damage to the District's facilities 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 any such insurance proceeds will be used to rebuild or repair any damaged improvements or District facilities (or that such proceeds will 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 and any insurance recovery for damaged District facilities may be insufficient to repair or replace such facilities.

CONTINUING DISCLOSURE

The District in the Order 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 in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended (the "Rule"). Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board ("MSRB"). This information will be available to the public free of charge from the MSRB via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org, as further described below under "Availability of Information from 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 shall provide annually to the MSRB, (1) within six months after the end of each fiscal year of the District, financial information and operating data with respect to the District of the general type included in APPENDIX A of this Official Statement (except with respect to the table labeled "TABLE 3 - ESTIMATED OVERLAPPING DEBT" or otherwise including estimated debt of overlapping governmental entities), and (2) if not provided as part of such financial information and operating data, audited financial statements of the District. Any financial statements to be provided shall be (i) prepared in accordance with the accounting principles described in APPENDIX B hereto or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation, and in substantially the form included in this Official Statement, and (ii) audited, if the District commissions an audit of such financial statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the District shall file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available.

The District's current fiscal year end is August 31. Accordingly, it must provide updated information other than the financial statements by the last day of February in each year and the financial statements by August 31 of the following 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 SEC, as permitted by the Rule.

Notice of Certain Events

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

of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into 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. The term "financial obligation" used in clauses (15) and (16) of the immediately preceding paragraph means a: (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) a guarantee or either (A) or (B). The term "financial obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

Neither the Bonds nor the Order make any provision for debt service reserves, credit enhancement (with the exception of the Texas Permanent School Fund guarantee), or liquidity enhancement. 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". The District will provide each notice described in this paragraph to the MSRB.

Availability of Information from MSRB

All information and documentation filing required to be made by the District in accordance with its undertaking made for the Bonds will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB via EMMA at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of 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 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 or beneficial owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if (1) the agreement, as amended, would have permitted an underwriter to purchase or sell 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 (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent 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 beneficial owners of the Bonds. The District may also repeal or amend these provisions if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but in either case 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 giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. If the District amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

Compliance with Prior Agreements

During the last five years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with Rule 15c2-12 except as follows.

The District issued its Maintenance Tax Note, Series 2022 on March 8, 2022 and filed a notice of such issuance on EMMA on April 22, 2022.

AUDITED FINANCIAL STATEMENTS

The District's audited financial statements for the fiscal year ended August 31, 2025 are included in this Official Statement as an appendix; however, the District's Auditor has not performed any procedures on such financial statements since the date of the Auditor's report, and has not performed any procedures on any other financial information of the District, including without limitation any of the information contained in this Official Statement and has not been asked to consent to inclusion of its report, or otherwise be associated with this Official Statement.

OTHER PERTINENT INFORMATION

Authenticity of Financial Information

The financial data and other information contained herein have been obtained from the District's records, audited financial statements and other sources, which are believed to be reliable. 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 documents for further information. Reference is made to original documents in all respects.

Registration and Qualification of Bonds for Sale

No registration statement relating to the Bonds has been filed with the SEC under the Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2). The Bonds have not been approved or disapproved by the SEC, nor has the SEC passed upon the accuracy or adequacy of the Official Statement. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein, nor have the Bonds been registered or qualified under the securities act of any other jurisdiction. The District assumes no responsibility for registration or 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 registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

It is the obligation of the 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.

Municipal Bond Rating

Moody's Investors Service Inc. ("Moody's") has assigned an underlying, unenhanced rating of "A1" to the Bonds. Moody's has also assigned a rating of "Aaa" to the Bonds based upon the Permanent School Fund Guarantee. Moody's generally rates all bond issues guaranteed by the Permanent School Fund of the State of Texas "Aaa".

The District also has certain unlimited tax debt issues outstanding that 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. Such issues are also rated "A+" by S&P without regard to credit enhancement. The District has **not** submitted an application to S&P for a rating on the Bonds.

An explanation of the significance of any rating may be obtained from the company furnishing the rating. The rating reflects only the view of such organization and the District makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds. A rating is not a recommendation to buy, sell or hold securities.

Municipal Advisor

Live Oak Public Finance, LLC (the "Municipal Advisor") is employed as the Municipal Advisor to the District in connection with the issuance of the Bonds. The Municipal Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Live Oak Public Finance, LLC, in its capacity as Municipal Advisor, has relied on the opinion of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants, and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

Underwriting

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the District at the price equal to the initial offering prices to the public, as shown on page -ii- herein, less an Underwriters' discount of $800,482.64 (and no accrued interest). The Underwriters' obligation is subject to certain conditions precedent. The Underwriters will be obligated to purchase all of the Bonds, if any of the Bonds are purchased. Subject to certain hold-the-offering-price restrictions in the purchase agreement related to the Bonds that are of limited duration, the Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public 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 responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. 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 and to people and entities with relationships with the District, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the District (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the District. The Underwriters and their respective affiliates may make a market in credit default swaps with respect to municipal securities in the future.

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

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

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.

Miscellaneous

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

Forward Looking Statements

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

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

Information from External Sources

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

Authorization of the Official Statement

No person has been authorized 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.

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

ROYAL INDEPENDENT SCHOOL DISTRICT

/s/ Dr. Megan C. Pape
Pricing Officer

APPENDIX A

SELECTED FINANCIAL INFORMATION REGARDING THE DISTRICT

TABLE 1 - ASSESSED VALUATION [1]

2026 Certified Total Assessed Valuation	$8,670,403,395
2026 Certified Taxable Assessed Valuation	$5,259,611,434
2026 Exemptions	
Homestead - State-mandated General $140,000	$425,366,578
Homestead - State-mandated Over-65 or Disabled $60,000	$68,295,274
Homestead Cap	35,075,118
Circuit Breaker Cap	31,135,812
Disabled Persons	2,697,235
Disabled Veterans	780,484
Productivity Loss	2,089,374,796
Freeport	400,550,340
Pollution Control	580,490
Solar	293,110
Other	356,642,724
Total (39.34% of Total Assessed Valuation) [2]	$3,410,791,961

[1] Source: Waller County Appraisal District. Includes $159,700,482 under review.

[2] Includes frozen property values for homesteads of taxpayers 65 years or older, their surviving spouses and disabled taxpayers.

TABLE 2 - TAX DEBT OUTSTANDING

Unlimited Tax Obligations:	
Unlimited Tax Bonds Outstanding (As of June 1, 2026)	$193,444,994
Plus: The Bonds	$153,430,000
TOTAL UNLIMITED TAX DEBT OUTSTANDING	$346,874,994[1]
Less: Interest & Sinking Fund Balance (As of June 1, 2026) [2]	$9,352,500
NET UNLIMITED TAX DEBT OUTSTANDING	$337,522,494
Limited Tax Obligations: [3][4]	
Limited Tax Debt Outstanding (As of December 18, 2025)	$10,484,723[3]
TOTAL LIMITED TAX DEBT OUTSTANDING	$10,484,723[3]

Estimated 2026 District Population [5]	17,182	Per Capita Net Taxable Valuation	$306,112
2024/2025 Enrollment [5]	2,884	Per Capita Total Valuation	$504,621
Area (square miles) [5]	159.98	Per Capita Total Unlimited Tax Debt	$20,188[6]

[1] Excludes all obligations listed in "TABLE 15 – OUTSTANDING LIMITED TAX DEBT SERVICE", "TABLE 16 – NOTES PAYABLE" and "TABLE 17 – LEASES" (collectively, the "Separately Secured Obligations").

[2] Source: The District's records. Represents unaudited information.

[3] Includes the limited tax debt detailed in "TABLE 15 – OUTSTANDING LIMITED TAX DEBT SERVICE". Includes principal associated with the $3,000,000 Tax and Revenue Anticipation Note, Series 2025 (the "TRAN"). The TRAN was issued on December 18, 2025 and matured and was repaid on April 1, 2026.

[4] The District's outstanding limited tax obligations are secured by and payable from the District's M&O tax revenues, and are not payable from the I&S tax revenues securing the Bonds. Such amount excludes the amounts due under certain leases of the District. See "TABLE 17 – LEASES."

[5] Source: The Municipal Advisory Council of Texas.

[6] Includes the Bonds and excludes the Separately Secured Obligations.

TABLE 3 - ESTIMATED OVERLAPPING DEBT [1]

Taxing Jurisdiction	As Of	Total Debt	% Overlapping	Overlapping Debt	
Brookshire MWD	4/30/2026	$510,000	100.00%	$510,000	
Fulshear MUD #3A	4/30/2026	149,735,000	0.42%	628,887	
Harris-Waller Cos MUD #4	4/30/2026	364,770	0.13%	474	
Katy, City of	4/30/2026	19,910,000	3.03%	603,273	
Waller County	4/30/2026	169,535,000	31.46%	53,335,711	
Waller County MUD #9B	4/30/2026	19,180,000	100.00%	19,180,000	
Waller County MUD #18	4/30/2026	22,440,000	100.00%	22,440,000	
Waller County MUD #19	4/30/2026	33,615,000	100.00%	33,615,000	
Waller County MUD #35	4/30/2026	38,333,531	100.00%	38,333,531	
Waller County MUD #41	4/30/2026	4,220,000	100.00%	4,220,000	
Waller County RID #1	4/30/2026	111,260,000	86.26%	95,972,876	
Waller County WC&ID #3	4/30/2026	2,655,000	1.39%	36,905	
Estimated (Net) Overlapping Debt				$268,876,657	
Royal ISD		$346,874,994	100.00%	$346,874,994	[2]
Total Direct & Estimated Overlapping Debt				**$615,751,651**	[2]

Total and Overlapping Debt as a % of 2026 Certified Total Assessed Valuation	7.10%
Total and Overlapping Debt as a % of 2026 Certified Taxable Assessed Valuation	11.71%
Total and Overlapping Debt Per Capita	$35,837

[1] Gross Debt. Source: The Municipal Advisory Council of Texas.
[2] Includes the Bonds. Excludes the Separately Secured Obligations. See Tables 15-17 herein.

TABLE 4 - 2025-2026 TOTAL TAX RATES OF OVERLAPPING POLITICAL ENTITIES

Brookshire MWD	$0.0139000
Fulshear MUD #3A	$1.1200000
Harris-Waller Cos MUD #4	$1.5000000
Katy, City of	$0.4250000
Waller County	$0.5325960
Waller County MUD #9B	$0.7400000
Waller County MUD #18	$0.9000000
Waller County MUD #19	$0.7500000
Waller County MUD #35	$1.5000000
Waller County MUD #41	$1.3500000
Waller County RID #1	$0.9500000
Waller County WC&ID #3	$0.5000000

[1] Source: Waller County Appraisal District. Represents tax rates per $100 of taxable assessed valuation.

TABLE 5 - PROPERTY TAX RATES AND COLLECTIONS

Tax Year	Taxable Assessed Valuation	Total Tax Rate	Percent Collections Current	Percent Collections Total %	Fiscal Year Ended
2020	$1,815,972,985	$1.321817	97.29%	99.74%	8/31/2021
2021	2,185,575,077	1.319117	98.30%	100.09%	8/31/2022
2022	2,861,805,469	1.301717	97.52%	98.24%	8/31/2023
2023	3,502,738,353	1.116317	97.36%	98.86%	8/31/2024
2024	4,182,738,230	1.114017	96.72%	97.96%	8/31/2025
	Five Year Average…..		**97.44%**	**98.98%**	
2025	4,733,492,415	1.069917	99.06% [3]	99.06% [3]	8/31/2026

[1] Source: Waller County Appraisal District.

[2] Source: The District's Audited Financial Statements. Excludes penalties and interest.

[3] Source: District's records as of June 1, 2026. Represents unaudited information.

TABLE 6 - TAX RATE DISTRIBUTION

	2025/26	2024/25	2023/24	2022/23	2021/22
Local Maintenance	$0.7111	$0.7552	$0.7575	$0.9429	$0.9603
Interest and Sinking	0.3588	0.3588	0.3588	0.3588	0.3588
Total	**$1.0699**	**$1.1140**	**$1.1163**	**$1.3017**	**$1.3191**

[1] Source: Waller County Tax Office.

TABLE 7 - VALUATION AND UNLIMITED TAX DEBT HISTORY

Fiscal Year Ended 8/31	Net Taxable Assessed Valuation [1]	% Increase/ (Decrease) In Taxable Assessed Valuation Over Prior Year	Unlimited Tax Supported Debt Outstanding at End of Year	Ratio of Unlimited Tax Supported Debt to Assessed Valuation
2022	$2,185,575,077	20.35%	$50,734,994	2.32%
2023	2,861,805,469	30.94%	94,364,994	3.30%
2024	3,502,738,353	22.40%	133,984,994	3.83%
2025	4,182,738,230	19.41%	161,789,994	3.87%
2026	4,733,492,415	13.17%	345,069,994[2]	7.29%
2027	5,259,611,434[3]	11.11%	334,268,666[2]	6.36%

[1] Source: Waller County Appraisal District.
[2] Includes the Bonds. Excludes the Separately Secured Obligations and principal payments on unlimited tax bonds to be made during the fiscal year. See Tables 15-17 herein.
[3] Includes $159,700,482 under review.

TABLE 8 - HISTORICAL TOP TEN TAXPAYERS [1]

PRINCIPAL TAXPAYERS AND THEIR 2025/2026 TAXABLE ASSESSED VALUATION

Taxpayer Name	Property Type	TAV	% of Total
Ross Dress For Less Inc.	Wholesale Supplier/Distribution Center	$349,486,539	7.38%
SRPF B/Empire West Phase II LP	Wholesale Supplier/Distribution Center	246,698,650	5.21%
Tesla Inc.	Wholesale Supplier/Distribution Center	119,671,008	2.53%
Lois Houston Associates LLC	Commercial Building	111,841,220	2.36%
CIV FCD Jordan Ranch LLC	Wholesale Supplier/Distribution Center	108,713,130	2.30%
Ferguson Enterprises LLC	Wholesale Supplier/Distribution Center	98,292,620	2.08%
Igloo Partners #11 LP	Commercial Land	84,983,791	1.80%
Goya Foods Inc.	Food Packaging/Processing	73,928,890	1.56%
Costco Wholesale Corporation	Wholesale Supplier/Distribution Center	69,258,306	1.46%
Mirabaud RE Katy Logistics LLC	Shipping/Freight	68,850,000	1.45%
Top 10 Totals:		$1,331,724,154	28.13%[2]

PRINCIPAL TAXPAYERS AND THEIR 2024/2025 TAXABLE ASSESSED VALUATION

Taxpayer Name	Property Type	TAV	% of Total
Ross Dress For Less Inc.	Wholesale Supplier/Distribution Center	$349,611,175	8.36%
SRPF B/Empire West Phase II LP	Wholesale Supplier/Distribution Center	167,213,820	4.00%
CIV FCD Jordan Ranch LLC	Wholesale Supplier/Distribution Center	103,559,899	2.48%
Ferguson Enterprises LLC	Wholesale Supplier/Distribution Center	94,045,706	2.25%
Igloo Partners #11 LP	Commercial Land	88,904,645	2.13%
Lois Houston Associates LLC	Commercial Building	79,351,660	1.90%
Goya Foods Inc.	Food Packaging/Processing	76,217,639	1.82%
Amazon Logistics Inc	Wholesale Supplier/Distribution Center	75,666,900	1.81%
SRPF B/Spartan West X LP	Wholesale Supplier/Distribution Center	71,753,640	1.72%
Mirabaud RE Katy Logistics LLC	Shipping/Freight	69,085,030	1.65%
Top 10 Totals:		$1,175,410,114	28.10%[2]

PRINCIPAL TAXPAYERS AND THEIR 2023/2024 TAXABLE ASSESSED VALUATION

Taxpayer Name	Property Type	TAV	% of Total
Ross Dress For Less Inc.	Wholesale Supplier/Distribution Center	$321,415,903	9.18%
SRPF B/Empire West Phase II LP	Wholesale Supplier/Distribution Center	171,918,500	4.91%
Igloo Partners #11 LP	Commercial Land	94,150,534	2.69%
Lois Houston Associates LLC	Commercial Building	80,019,110	2.28%
SRPF B/Spartan West X LP	Commercial Building	74,373,200	2.12%
Mirabaud RE Katy Logistics LLC	Shipping/Freight	67,900,000	1.94%
Costco Wholesale Corporation	Wholesale Supplier/Distribution Center	66,355,442	1.89%
Goya Foods Inc.	Food Packaging/Processing	60,520,452	1.73%
RTG Furniture of Texas LP	Retail Store	51,521,640	1.47%
Cole IG Katy TX LLC	Industrial Manufacturing	51,404,000	1.47%
Top 10 Totals:		$1,039,578,781	29.68%[2]

[1] Source: Waller County Appraisal District and the Municipal Advisory Council of Texas.
[2] A substantial portion of the District's tax base is comprised of its top ten taxpayers. See "CONCENTRATION OF TAX BASE AND EXPOSURE TO DISTRIBUTION INDUSTRIES."

TABLE 9 - CLASSIFICATION OF ASSESSED VALUATION BY USE CATEGORY [1]

	Tax Year [2]				
Property Use Category	**2026 [3]**	**2025 [4]**	**2024 [5]**	**2023 [5]**	**2022**
Real Property					
Single-Family Residential	$1,458,697,316	$1,124,908,716	$933,908,503	$833,224,090	$650,440,151
Multi-Family Residential	23,233,740	22,248,738	19,021,898	18,125,180	17,456,760
Vacant Lots/Tracts	258,813,485	256,613,813	169,187,006	166,214,021	110,347,236
Qualified Ag Land	2,103,328,091	2,059,359,242	1,998,749,447	1,933,306,016	1,637,666,413
Non-Qualified Land	13,137,327	14,515,799	14,576,213	14,777,116	15,127,866
Farm & Ranch Improvements	616,834,170	572,260,852	548,315,550	490,260,752	473,240,019
Commercial	1,585,539,753	1,449,066,424	1,389,436,931	1,219,434,049	869,497,159
Industrial	649,785,725	402,901,034	379,762,213	344,429,780	323,473,099
Oil, Gas and Other Minerals	2,124,332	7,145,872	4,324,451	6,414,592	6,739,095
Real & Tangible Personal					
Utilities	106,551,033	108,358,944	92,301,620	93,409,050	90,589,370
Commercial	1,303,823,078	1,145,079,361	1,030,805,170	487,182,825	370,126,666
Industrial	201,067,010	206,456,490	214,169,520	221,717,020	157,929,890
Other - Mobile Homes	41,551,137	40,400,411	36,201,313	36,222,301	33,142,324
Residential Inventory	-	-[6]	30,238,571	2,489,269	4,139,870
Special Inventories	2,408,720	2,511,980	6,156,140	6,205,810	4,799,130
Exempt	303,508,478	299,903,023	291,971,353	330,242,766	268,205,142
Total Assessed Valuation	**$8,670,403,395**	**$7,711,730,699**	**$7,159,125,899**	**$6,203,654,637**	**$5,032,920,190**
Less Exemptions:					
Homestead - State-mandated General $140,000	$425,366,578	$252,820,445	$225,579,460	$209,513,890	$91,598,416
Homestead - State-mandated Over-65 or Disabled $60,000	$68,295,274	27,293,604	20,692,215	16,402,314	16,602,555
Homestead Cap	35,075,118	52,878,505	83,328,639	109,957,851	61,205,800
Circuit Breaker Cap	31,135,812	27,693,689	15,740,551	-	-
Disabled Persons	2,697,235	481,787	460,902	463,761	499,165
Disabled Veterans	780,484	597,269	484,265	408,494	359,729
Productivity Loss	2,089,374,796	2,046,623,078	1,985,855,067	1,921,987,800	1,627,398,427
Freeport	400,550,340	270,458,963	351,982,464	111,042,723	104,468,684
Pollution Control	580,490	783,248	793,090	937,090	735,490
Solar	293,110	227,170	211,920	69,190	65,470
Other	356,642,724	298,380,526	291,259,096	330,133,171	268,180,985
Total Exemptions	**$3,410,791,961**	**$2,978,238,284**	**$2,976,387,669**	**$2,700,916,284**	**$2,171,114,721**
Taxable Assessed Valuation	**$5,259,611,434**	**$4,733,492,415**	**$4,182,738,230**	**$3,502,738,353**	**$2,861,805,469**

[1] Source: Waller County Appraisal District.

[2] Values may differ from those shown in the District's prior financial statements and elsewhere in this Official Statement due to subsequent adjustments.

[3] Includes $159,700,482 under review.

[4] Value includes the application of a $140,000 State-mandated general homestead exemption and $60,000 exemption for persons 65 years of age and older and the disabled. See "AD VALOREM TAX PROCEDURES."

[5] Value includes the application of a $100,000 State-mandated general homestead exemption and $10,000 exemption for persons 65 years of age and older and the disabled.

[6] The District did not grant an inventory valuation for tax purposes in Tax Year 2025.

TABLE 10 - PERCENTAGE OF ASSESSED VALUATION BY USE CATEGORY

Property Use Category	2026	2025	2024	2023	2022
Real Property					
Single-Family Residential	16.82%	14.59%	13.05%	13.43%	12.92%
Multi-Family Residential	0.27%	0.29%	0.27%	0.29%	0.35%
Vacant Lots/Tracts	2.99%	3.33%	2.36%	2.68%	2.19%
Qualified Ag Land	24.26%	26.70%	27.92%	31.16%	32.54%
Non-Qualified Land	0.15%	0.19%	0.20%	0.24%	0.30%
Farm & Ranch Improvements	7.11%	7.42%	7.66%	7.90%	9.40%
Commercial	18.29%	18.79%	19.41%	19.66%	17.28%
Industrial	7.49%	5.22%	5.30%	5.55%	6.43%
Oil, Gas and Other Minerals	0.02%	0.09%	0.06%	0.10%	0.13%
Real & Tangible Personal					
Utilities	1.23%	1.41%	1.29%	1.51%	1.80%
Commercial	15.04%	14.85%	14.40%	7.85%	7.35%
Industrial	2.32%	2.68%	2.99%	3.57%	3.14%
Other - Mobile Homes	0.48%	0.52%	0.51%	0.58%	0.66%
Residential Inventory	0.00%	0.00%	0.42%	0.04%	0.08%
Special Inventories	0.03%	0.03%	0.09%	0.10%	0.10%
Exempt	3.50%	3.89%	4.08%	5.32%	5.33%
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

TABLE 11 - DEBT SERVICE REQUIREMENTS

		Plus: The Bonds			
Fiscal Year Ending 8/31	**Outstanding Debt Service**	**Principal**	**Interest**	**Total**	**Total New Debt Service Requirements**
2026	$16,627,132	$ -	$ -	$ -	$16,627,132
2027	13,347,675	6,325,000	7,300,278	13,625,278	26,972,953
2028	13,345,345	2,310,000	7,297,500	9,607,500	22,952,845
2029	13,351,743	2,430,000	7,179,000	9,609,000	22,960,743
2030	13,348,628	2,555,000	7,054,375	9,609,375	22,958,003
2031	13,354,090	2,685,000	6,923,375	9,608,375	22,962,465
2032	12,277,580	2,825,000	6,785,625	9,610,625	21,888,205
2033	11,725,221	2,965,000	6,640,875	9,605,875	21,331,096
2034	12,662,953	3,120,000	6,488,750	9,608,750	22,271,703
2035	12,667,335	3,280,000	6,328,750	9,608,750	22,276,085
2036	12,358,356	3,450,000	6,160,500	9,610,500	21,968,856
2037	12,374,397	3,625,000	5,983,625	9,608,625	21,983,022
2038	12,375,722	3,810,000	5,797,750	9,607,750	21,983,472
2039	12,371,550	4,005,000	5,602,375	9,607,375	21,978,925
2040	12,375,175	4,210,000	5,397,000	9,607,000	21,982,175
2041	12,371,800	4,425,000	5,181,125	9,606,125	21,977,925
2042	11,376,175	4,655,000	4,954,125	9,609,125	20,985,300
2043	11,377,875	4,895,000	4,715,375	9,610,375	20,988,250
2044	11,377,825	5,145,000	4,464,375	9,609,375	20,987,200
2045	11,381,725	5,405,000	4,200,625	9,605,625	20,987,350
2046	11,384,200	5,685,000	3,923,375	9,608,375	20,992,575
2047	11,384,525	5,975,000	3,631,875	9,606,875	20,991,400
2048	11,386,225	6,285,000	3,325,375	9,610,375	20,996,600
2049	10,937,688	6,605,000	3,003,125	9,608,125	20,545,813
2050	10,939,306	6,945,000	2,664,375	9,609,375	20,548,681
2051	10,942,156	7,300,000	2,308,250	9,608,250	20,550,406
2052	10,945,325	7,675,000	1,933,875	9,608,875	20,554,200
2053	10,333,438	8,070,000	1,540,250	9,610,250	19,943,688
2054	3,086,875	8,480,000	1,126,500	9,606,500	12,693,375
2055	3,087,125	8,915,000	691,625	9,606,625	12,693,750
2056	3,085,250	9,375,000	234,375	9,609,375	12,694,625
	$349,960,413	**$153,430,000**	**$138,838,403**	**$292,268,403**	**$642,228,816**

(1) Excludes Separately Secured Obligations. See Tables 15-17 herein.

TABLE 12 – AUTHORIZED BUT UNISSUED BONDS

Following the issuance of the Bonds, the District anticipates that it will have $228,632,995 in voted but unissued bonds as further described below.

Date of Election	Purpose	Amount Authorized	Amount Previously Issued	Amount This Issue [1]	Amount Remaining
11/4/2025	School Building	$350,632,995	$40,000,000	$154,622,816	$156,010,179
11/4/2025	Land Purchase	$6,000,000	$0	$0	$6,000,000
5/2/2026	Stadium	$72,000,000	$0	$5,377,184	$66,622,816
Total	**N/A**	**$428,632,995**	**$40,000,000**	**$160,000,000**	**$228,632,995**

In addition to unlimited tax bonds, the District may incur other financial obligations payable from its collection of taxes and other sources of revenue, including refunding bonds, maintenance tax notes payable from its collection of maintenance taxes, public property finance contractual obligations, delinquent tax notes, and leases for various purposes payable from State appropriations and surplus maintenance taxes.

[1] *Includes premium allocated to the voted authorization.*

TABLE 13 - Interest & Sinking Fund Budget Projection

Interest and Sinking Fund Balance 09/01/25 (Beginning) [1]		**$8,560,480**
Estimated Tax Supported Debt Service Requirements for FYE 2026	$16,627,132	
Projected Interest & Sinking Fund Local Revenue	$16,225,767	
(ASAHE) for Facilities [2]	$494,308	
Net Transfers In/(Out)	-	
Projected Interest & Sinking Fund Balance, 08/31/26 (Ending)		**$8,653,423**
Net Increase/(Decrease) in Fund Balance		$92,943

[1] *Source: The District's Audited Financial Statements.*

[2] *Source: Texas Education Agency 2025-2026 Summary of Finances Dated May 11, 2026.*

TABLE 14 - TAX ADEQUACY - UNLIMITED TAX DEBT SERVICE REQUIREMENTS [1]

2026 Net Principal and Interest Requirements	$16,627,132	
$0.3226 Tax Rate at 98% Collection Produces	$16,628,156	[2]
Average Net Annual Principal and Interest Requirements, 2026-2056	$20,717,059	[3]
$0.4020 Tax Rate at 98% Collection Produces	$20,720,765	[2]
Maximum Net Principal and Interest Requirements, 2027	$26,972,953	[3]
$0.5233 Tax Rate at 98% Collection Produces	$26,973,076	[2]

[1] Excludes the Separately Secured Obligations. See Tables 15-17 herein.

[2] Based upon 2026 Certified Net Taxable Assessed Valuation of $5,259,611,434.

[3] Includes debt service requirements related to the Bonds.

TABLE 15 - OUTSTANDING LIMITED TAX DEBT SERVICE [1]

Fiscal Year Ending 8/31	Principal	Interest	Total
2026	$3,713,888	$208,475	$3,922,363[2]
2027	730,835	153,177	884,012
2028	697,000	135,493	832,493
2029	713,000	118,404	831,404
2030	734,000	100,566	834,566
2031	520,000	85,712	605,712
2032	532,000	74,272	606,272
2033	543,000	62,568	605,568
2034	555,000	50,622	605,622
2035	567,000	38,412	605,412
2036	580,000	25,938	605,938
2037	599,000	6,589	605,589
Total	**$10,484,723**	**$1,060,226**	**$11,544,949**

Average Annual Debt Service Requirement	$962,079
Maximum Debt Service Requirement	$3,922,363

[1] The District's outstanding limited tax obligations are secured by and payable from the District's M&O tax and are not payable from the I&S tax, which secures the Bonds. The District's limited tax obligations include its Maintenance Tax Note, Series 2015, its Maintenance Tax Note, Series 2022, and its Tax and Revenue Anticipation Note, Series 2025 (the TRAN was repaid in full on April 1, 2026). See Note III.D. "Detailed Notes on All Funds – Long-Term Debt" in the District's audited financial statements, attached as APPENDIX B hereto.

[2] Debt service requirements in the 2026 fiscal year largely relate to the TRAN, which was repaid in full on April 1, 2026.

TABLE 16 - NOTES PAYABLE [1]

See “TABLE 15 - OUTSTANDING LIMITED TAX DEBT SERVICE” for the debt service requirements related the District’s notes payable. The outstanding notes payable are secured by and payable from the District’s M&O tax and are not payable from the I&S tax, which secures the Bonds.

[1] Source: The District’s Audited Financial Statements.

TABLE 17 – LEASES [1]

The District entered into various copier and printer lease agreements with three to four year terms. The leases have payments that range from $2,393 to $84,768 and interest rates that range from 2.85% to 4.35%. As of 08/31/2025, the total combined value of the lease liability is $533,141.

The future principal and interest payments as of August 31, 2025 were as follows:

Fiscal Year Ended August 31	Principal	Interest	Total Requirements
2026	$199,096	$17,390	$216,486
2027	187,169	9,971	197,140
2028	125,795	3,750	129,545
2029	21,081	111	21,192
Totals	$533,141	$31,222	$564,363

[1] Source: The District's Audited Financial Statements. The District’s leases are payable from the District’s maintenance and operations budget. Such leases are not payable from the I&S tax, which secures the Bonds.

TABLE 18 - GENERAL OPERATING FUND COMPARATIVE BALANCE SHEET

For Fiscal Year ended August 31,	2025	2024	2023	2022	2021
ASSETS:					
Cash & Cash Equivalents	$860,186	$761,646	$422,693	$567,594	$46,014
Current Investments	$9,426,573	$10,649,246	$17,977,435	$21,392,516	$11,912,149
Property Taxes-Delinquent	2,513,073	1,986,500	1,672,714	1,189,704	1,206,595
Allowance for Uncollectible Taxes	(862,287)	(884,344)	(525,183)	(454,311)	(420,538)
Due from Other Governments	715,121	343,668	79,391	135,330	78,499
Due from Other Funds	817,187	934,322	3,058,157	1,023,440	820,093
Other Receivables	9,870	673	2,969	20	56,080
Prepaid Items	250	250	6,207	-	-
Total Assets	**$13,479,973**	**$13,791,961**	**$22,694,383**	**$23,854,293**	**$13,698,892**
LIABILITIES					
Accounts Payable	$135,584	$157,321	$821,427	$526,725	$10,378
Payroll Deductions and Withholdings	4,961	$-	4,281	12,694	35,067
Accrued Wages Payable	-	$10,612	-	-	-
Due to Other Funds	-	-	-	91,677	91,677
Due to Other Governments	1,150,514[(1)]	-	-	-	-
Accrued Expenditures	-	-	-	-	-
Unearned Revenue	-	-	5,417,854	1,930,084	1,049,610
Total Liabilities	**$1,291,059**	**$167,933**	**$6,243,562**	**$2,561,180**	**$1,186,732**
DEFERRED INFLOWS OF RESOURCES:					
Unavailable Revenue - Property Taxes	$1,282,762	$860,108	$1,147,531	$735,393	$786,057
Total Deferred Inflows of Resources	**$1,282,762**	**$860,108**	**$1,147,531**	**$735,393**	**$786,057**
FUND BALANCES:					
Nonspendable Fund Balances:					
Prepaid Items	250	250	6,207	-	-
Restricted Fund Balances:				-	
Federal or State Funds Grant Restriction	-	-	-	-	-
Capital Acquisitions and Contractual Obligations				5,978,782	
Retirement of Long-Term Debt				-	
Other Restricted Fund Balance	-	-	-	-	-
Committed Fund Balance:					
Other Committed Fund Balance	-	-	-	-	-
Assigned Fund Balance:					
Subsequent Year's Budget	2,771,231	2,428,076	-	-	-
Unassigned Fund Balance:	8,134,671	10,335,594	15,297,083	14,578,938	11,726,103
Total Fund Balances	**$10,906,152**	**$12,763,920**	**$15,303,290**	**$20,557,720**	**$11,726,103**
Total Liabilities, Deferred Inflow of Resources and Fund Balances	**$13,479,973**	**$13,791,961**	**$22,694,383**	**$23,854,293**	**$13,698,892**

Source: District's Audited Financial Statements.

(1) Represents recapture payments to the State in excess of budgeted amounts. This overage was covered by under spending in other functions and additional revenues.

TABLE 19 - SCHEDULE OF GENERAL FUND REVENUES AND EXPENDITURE HISTORY

For Fiscal Year ended August 31,	2025	2024	2023	2022	2021
REVENUES:					
Total Local and Intermediate Sources	$31,249,815	$27,032,756	$28,256,363	$20,935,340	$17,390,404
State Program Revenues	4,970,245	4,726,096	3,013,059	8,986,123	11,896,229
Federal Program Revenues	195,654	473,390	800,204	499,977	605,461
Total Revenues	**$36,415,714**	**$32,232,242**	**$32,069,626**	**$30,421,440**	**$29,892,094**
EXPENDITURES:					
Instruction	$18,751,913	$17,763,779	$16,526,687	$12,475,149	$15,286,803
Instructional Resources & Media Services	175,874	184,877	156,512	176,134	154,338
Curriculum and Instructional Staff Development	682,974	997,159	987,086	477,179	433,991
Instructional Leadership	522,846	645,734	648,542	599,624	410,462
School Leadership	2,251,551	2,078,880	1,743,640	1,793,949	1,764,300
Guidance, Counseling & Evaluation Services	1,043,665	863,541	797,160	741,056	678,022
Social Work Services	265,856	249,762	156,868	127,740	88,314
Health Services	347,340	376,414	291,015	295,994	307,353
Student Transportation	1,819,520	1,820,060	1,476,932	1,363,404	1,419,615
Food Services	20	432	-	72	365
Extracurricular Activities	1,504,456	1,456,305	1,582,471	1,172,658	970,660
General Administration	1,714,690	1,720,532	1,721,819	1,551,994	1,205,195
Plant Maintenance and Operations	4,155,896	3,950,819	8,776,224	6,664,560	3,678,820
Security Monitoring and Services	460,621	461,700	411,607	263,720	142,437
Data Processing Services	1,213,641	805,665	634,945	605,586	583,698
Community Services	4,879	15,112	13,253	12,558	2,459
Debt Service:					
Principal on Long Term Debt	892,813	819,459	812,014	842,096	175,000
Interest on Long Term Debt	217,198	211,031	221,262	139,898	51,738
Bond Issuance Cost and Fees	400	400	750	70,870	1,900
Capital Outlay:					
Facilities, Acquisition & Construction	-	-	-	-	855,215
Intergovernmental:					
Contracted Instructional Services Between Schools	2,242,538	-	-	-	-
Payments to Fiscal Agents/Member Districts of SSA	-	-	-	-	-
Other Intergovernmental	562,136	503,610	486,650	387,769	343,553
Total Expenditures	**$38,830,827**	**$34,925,271**	**$37,445,437**	**$29,762,010**	**$28,554,238**
Excess (Deficiency) of Revenues Over (Under) Expenditures	($2,415,113)	($2,693,029)	($5,375,811)	$659,430	$1,337,856
Other Financing Sources and (Uses):					
Capital-Related Debt Issued (Regular Bonds)	-	-	-	8,200,000	-
Issuance of Non-Current Debt	557,345	153,659	239,245	-	-
Transfers In	-	-	-	-	-
Premium or Discount on Issuance of Bonds		-	-	-	-
Transfers Out	-	-	(117,864)	-	-
Other Uses	-	-	-	(27,813)	-
Total Other Financing Sources and (Uses)	**557,345**	**153,659**	**121,381**	**8,172,187**	**-**
Net Change in Fund Balances	**($1,857,768)**	**($2,539,370)**	**($5,254,430)**	**$8,831,617**	**$1,337,856**
Fund Balances - Beginning	**$12,763,920**	**$15,303,290**	**$20,557,720**	**$11,726,103**	**$10,388,247**
Fund Balances - Ending	**$10,906,152**	**$12,763,920**	**$15,303,290**	**$20,557,720**	**$11,726,103**

Source: District's Audited Financial Statements.

TABLE 20 - CHANGE IN NET POSITION [1]

For Fiscal Year ended August 31	2025	2024	2023	2022	2021
REVENUES:					
Program Revenues					
Charges for Services	$198,116	$218,690	$218,195	$176,495	$89,153
Operating Grants and Contributions	6,221,110	8,293,745	10,583,060	9,112,073	5,928,542
Total Program Revenues	$6,419,226	$8,512,435	$10,801,255	$9,288,568	$6,017,695
General Revenue					
Maintenance and Operations Taxes	$30,985,172	$25,700,209	$27,229,530	$20,501,568	$16,825,527
Debt Service Taxes	14,739,220	12,119,386	10,347,330	7,659,962	6,256,112
State Aid-Formula Grants	-	-	1,465,718	-	-
Grants and Contributions not Restricted	3,109,509	2,963,692	-	7,649,339	10,774,022
Investment Earnings	4,721,061	3,959,457	1,542,320	167,939	15,435
Miscellaneous Local and Intermediate Revenue	268,588	300,142	458,621	253,641	603,009
Special Item	-	-	-	-	-
Total General Revenues	$53,823,550	$45,042,886	$41,043,519	$36,232,449	$34,474,105
Total Revenues	**60,242,776**	**53,555,321**	**51,844,774**	**45,521,017**	**40,491,800**
EXPENSES:					
Instruction	$20,714,498	$21,114,897	$19,825,581	$16,932,518	$18,581,618
Instructional Resources & Media Services	416,814	295,187	358,021	362,187	354,576
Curriculum and Instructional Staff Development	875,701	1,667,505	1,348,542	1,003,183	682,440
Instructional Leadership	602,937	826,317	896,696	774,342	492,346
School Leadership	2,219,755	2,107,567	1,898,674	1,793,239	1,833,277
Guidance, Counseling, & Evaluation Services	1,535,830	1,202,544	1,115,798	1,013,792	928,032
Social Work Services	306,627	290,132	210,214	156,168	124,427
Health Services	377,231	435,635	396,059	343,748	359,840
Student (Pupil) Transportation	2,012,479	1,963,320	1,645,661	1,510,340	1,403,504
Food Services	2,207,188	2,118,652	2,222,736	1,890,501	1,526,529
Cocurricular/Extracurricular Activities	1,914,357	1,849,144	1,853,358	1,536,189	1,298,210
General Administration	1,729,336	1,772,019	1,791,355	1,562,757	1,309,474
Facilities Maintenance & Operations	4,931,311	4,000,851	3,703,588	5,342,912	3,798,133
Security and Monitoring Services	66,387	791,007	404,346	248,464	197,257
Data Processing Services	1,153,833	651,053	584,137	582,233	577,984
Community Services	16,701	22,272	29,678	13,831	16,550
Interest on Long Term Debt	5,247,261	3,697,995	1,874,863	1,849,175	1,947,654
Bond Issuance Costs and Fees	382,954	435,061	433,430	90,217	151,269
Contracted Instructional Services Between Schools	2,242,538	-	-	-	-
Payments to Member Districts of SSA	22,746	20,841	7,014	15,294	61,839
Other Intergovernmental	562,136	503,610	486,650	387,769	343,553
Total Expenses	**$49,538,620**	**$45,765,609**	**$41,086,401**	**$37,408,859**	**$35,988,512**
Increase in Net Position	$10,704,156	$7,789,712	$10,758,373	$8,112,158	$4,503,288
Beginning Net Position	$21,658,525	$13,868,813	$2,329,501	($5,782,657)	($10,291,776)
Prior Period Adjustment	($1,574,694)	$ -	$780,939	$ -	$5,831
Ending Net Position	**$30,787,987**	**$21,658,525**	**$13,868,813**	**$2,329,501**	**($5,782,657)**

[1] Source: District's Audited Financial Statements

APPENDIX B

AUDITED FINANCIAL STATEMENTS

The information contained in this appendix consists of the Royal Independent School District Audited Financial Statements (the "Report") for the fiscal year ended August 31, 2025.

The information presented represents only a part of the Report and does not purport to be a complete statement of the District's financial condition. Reference is made to the complete Annual Audit Report for additional information.

ROYAL INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2025

ROYAL INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2025

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CERTIFICATE OF THE BOARD

Royal Independent School District	Waller	237-905
Name of School District	County	Co. – Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) ✓ approved ____ disapproved for the year ended August 31, 2025, at a meeting of the board of trustees of such school district on the 9th of February, 2026.

Melissa Woods
Signature of Board Secretary

Scott Hartman
Signature of Board President

If the Board of Trustees disapproved of the auditor's report, the reason(s) for disapproving it is (are): (attach list as necessary).

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PATTILLO, BROWN & HILL, L.L.P.
401 West State Highway 6
Waco, Texas 76710
254.772.4901 | pbhcpa.com

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Royal Independent School District
Royal, Texas

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Emphasis of Matter - Change in Accounting Principle

As described in the notes to the financial statements, in fiscal year 2025 the District implemented Governmental Accounting Standards Board (GASB) Statement No. 101, Compensated Absences. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

OFFICE LOCATIONS
TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

AICPA
GAQC Member

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Royal Independent School 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 Royal Independent School 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, budgetary comparison information, and pension and OPEB information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Royal Independent School District's basic financial statements. The combining statements, required TEA schedules, 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements, required TEA 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 February 9, 2026 on our consideration of Royal Independent School 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 Royal Independent School 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 Royal Independent School District's internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
February 9, 2026

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MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial Report, we, the managers of Royal 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 independent auditor's report, and the District's Basic Financial Statements.

FINANCIAL HIGHLIGHTS

- The District's total combined net position at August 31, 2025 was $30,787,987.
- For the fiscal year ended August 31, 2025, the District's general fund reported a total fund balance of $10,906,152 of which $250 is for prepaid items, $2,771,231 assigned for next year's budget, and $8,134,671 is unassigned. The debt service fund reported a fund balance of $8,560,480, which is restricted. The capital projects fund reported a fund balance of $78,328,565.
- At the end of the fiscal year, the District's governmental funds (the general fund plus all state and federal grant funds and the debt service fund) reported a combined ending fund balance of $99,255,560.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of three parts – *Management's Discussion and Analysis* (this section), the *Basic Financial Statements*, and *Required Supplementary Information*. The basic financial statements include two kinds of statements that present different views of the District.

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- The *governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a trustee or custodian for the benefit of others, to whom the fiduciary resources belong. This fund includes student activity funds.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The notes to the financial statements are followed by a section entitled *Required Supplementary Information* that further explains and supports the information in the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, liabilities, and deferred outflows of resources. All of the current period's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The government-wide statements report the District's net position and how it has changed. Net position is the difference between the District's assets, deferred outflows/inflows of resources, and liabilities and is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base, staffing patterns, enrollment, and attendance.

The government-wide financial statements of the District include the *governmental activities*. The District's basic services such as instruction, extracurricular activities, curriculum and staff development, health services, general administration, and plant operations and maintenance are included in *governmental activities*. Locally assessed property taxes, together with State foundation program entitlements, which are based upon student enrollment and attendance, finance most of the governmental activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are simply accounting devices that are used to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and other funds are mandated by bond agreements or bond covenants.

- The Board of Trustees (the "Board") establishes other funds to control and manage money set aside for particular purposes or to show that the District is properly using certain taxes and grants.

- Other funds are used to account for assets held by the District in a custodial capacity – these assets do not belong to the District, but the District is responsible to properly account for them.

The District has the following kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.

- *Fiduciary funds* – The District serves as the trustee, or fiduciary, for certain funds such as student activity funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its governmental operations.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District's combined net position was $30,787,987 at August 31, 2025. Table 1 focuses on net position while Table 2 shows the revenues and expenses that changed the net position balance during the fiscal year ended August 31, 2025. The District reported an increase of $10,704,156 in net position from the prior year. Current assets increased due to issuance of bonds and capital assets increased due to ongoing construction projects for facilities. Deferred outflows of resources increased for the pension plan due to the differences between expected and actual economic experience, changes in actuarial assumptions, and differences between projected and actual investment earnings. In addition, there were decreases in deferred outflows for the other postemployment benefits (OPEB) plan due to changes in actuarial assumptions, changes in proportion and difference between the District's contributions, and the proportionate share of contributions. Current liabilities increased for accounts payable for ongoing construction projects. Long-term liabilities increased due to issuance of bonds. Deferred inflows related to pensions decreased due to differences between expected and actual economic experience, changes in actuarial assumptions, difference between projected and actual investment earnings, and differences between the District's contributions and the proportionate share of contributions.

TABLE 1
ROYAL INDEPENDENT SCHOOL DISTRICT
NET POSITION

	Governmental Activities	
	2025	2024
Assets:		
Current and other assets	$ 110,193,325	$ 118,653,505
Capital assets	123,236,784	69,742,244
Total assets	233,430,109	188,395,749
Deferred Outflows of Resources:		
Deferred charge on refunding	559,359	654,092
Pensions	3,034,141	4,796,001
OPEB	4,241,100	2,582,345
Total deferred outflows of resources	7,834,600	8,032,438
Liabilities:		
Long-term liabilities	194,742,816	164,115,217
Other liabilities	9,381,424	2,608,449
Total liabilities	204,124,240	166,723,666
Deferred Inflows of Resources:		
Pensions	470,647	944,660
OPEB	5,881,835	7,101,336
Total deferred inflows of resources	6,352,482	8,045,996
Net position:		
Net investment in capital assets	25,938,427	14,247,519
Restricted	10,229,514	9,994,725
Unrestricted	(5,379,954)	(2,583,719)
Total net position	$ 30,787,987	$ 21,658,525

TABLE 2

ROYAL INDEPENDENT SCHOOL DISTRICT
CHANGES IN NET POSITION

	Governmental Activities	
	2025	2024
REVENUES		
Program revenues:		
Charges for services	$ 198,116	$ 218,690
Operating grants and contributions	6,221,110	8,293,745
General revenues:		
Maintenance and operations taxes	30,985,172	25,700,209
Debt service taxes	14,739,220	12,119,386
State aid - formula grants	3,109,509	2,963,692
Investment earnings	4,721,061	3,959,457
Miscellaneous local & intermediate revenue	268,588	300,142
Total revenues	60,242,776	53,555,321
EXPENSES		
Instruction	20,714,498	21,114,897
Instructional resources and media services	416,814	295,187
Curriculum and staff development	875,701	1,667,505
Instructional leadership	602,937	826,317
School leadership	2,219,755	2,107,567
Guidance, counseling, and evaluation services	1,535,830	1,202,544
Social work services	306,627	290,132
Health services	377,231	435,635
Student (pupil) transportation	2,012,479	1,963,320
Food service	2,207,188	2,118,652
Extracurricular activities	1,914,357	1,849,144
General administration	1,729,336	1,772,019
Facilities maintenance and operations	4,931,311	4,000,851
Security and monitoring services	66,387	791,007
Data processing services	1,153,833	651,053
Community services	16,701	22,272
Debt Service - interest on long-term debt	5,247,261	3,697,995
Debt service - bond issuance cost and fees	382,954	435,061
Contracted instructional services between schools	2,242,538	-
Payments to fiscal agent/member districts of SSA	22,746	20,841
Other intergovernmental charges	562,136	503,610
Total expenses	49,538,620	45,765,609
Increase/(Decrease) in net position before inflows/outflows and special items	10,704,156	7,789,712
NET POSITION, BEGINNING, AS PREVIOUSLY REPORTED	21,658,525	13,868,813
RESTATEMENT	(1,574,694)	-
NET POSITION, BEGINNING, AS RESTATED	20,083,831	13,868,813
NET POSITION, ENDING	$ 30,787,987	$ 21,658,525

Revenues for the District increased due to more funding from the state, property taxes, and interest earned. Operating grants and contributions decreased due to closing out ESSER funds that will not be available in the future. Expenses experienced a net increase from the prior year as a result of interest paid on bonds as well as increasing costs for salaries, materials and supplies.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At the close of the fiscal year ending August 31, 2025, the District's governmental funds reported a combined fund balance of $99,255,560. This compares to a combined fund balance of $115,117,307 at August 31, 2024. The District's combined governmental funds revenue increased by $6,101,832. This consisted of an increase in local and intermediate sources due to increases in interest revenue and property taxes. The total combined revenue was $60,549,669 this year compared to $54,447,837 last year. The District's combined governmental funds expenditures increased by $52,387,771. This increase is primarily due to capital outlays for ongoing construction projects. The total combined expenditures were $115,409,962 compared to $63,022,191 in the prior year.

The fund balance in the general fund decreased primarily due to increases in salaries. The fund balance in the debt service fund increased due to more property taxes collected than current principal and interest payments on bonded debt. The capital projects fund decreased due to payments for ongoing bond projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

In accordance with State law and generally accepted accounting principles, the District prepares an annual budget for the general fund, the food service special revenue fund, and the debt service fund. Special revenue funds have budgets approved by the funding agency and are amended throughout the year as required.

During the period ended August 31, 2025, the District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenditures by $3,694,407. The general fund's budgeted revenues exceeded actual revenues by a net $1,488,386 primarily due local property taxes and interest revenues. Budgeted expenditures exceeded actual expenditures by $104,897 primarily due to contracted instructional services between schools.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At August 31, 2025, the District had a total of $123,236,784 invested in capital assets (net of accumulated depreciation) such as land, vehicles, buildings, and District equipment.

CAPITAL ASSETS

	2025	2024
Land	$ 2,570,664	$ 2,535,734
Construction-in-progress	62,246,450	8,503,801
Buildings and improvements	111,025,484	110,511,340
Furniture and equipment	8,074,470	5,870,589
Right to use - equipment	704,865	517,003
Less depreciation	(61,385,149)	(58,196,223)
Totals	$ 123,236,784	$ 69,742,244

Major capital asset events during the year included the following:

- Construction in progress for renovations and additions to the high school for $2,647,288,
- Construction in progress for the transportation center renovations for $2,586,892,
- Construction in progress for the new Ag. Science Expo Center for $9,508,895,
- Construction in progress for the new Elementary School #2 for $32,690,652,
- Construction in progress for various Brookshire Royal projects for $ 3,746,207,
- Construction in progress for various technology, security, and site improvements.

More detailed information about the District's capital assets can be found in Note C in the notes to the financial statements.

Debt

At August 31, 2025, the District had $169,762,556 in general obligation bonds, notes payable, leases payable, direct borrowing and SBITA liability outstanding versus $98,624,323 last year. The District issued $37.4 million in new bonds during the current fiscal year.

More detailed information about the District's long-term liabilities can be found in Note D in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- District management carefully evaluates all factors affecting the annual budget, including instructional improvements, student enrollment, property values, facility needs, economic conditions, geographic location, and new legislative mandates. The District covers 161 square miles, located 35 miles west of Houston in southern Waller County along the West I-10 corridor.

- The District's prime location along and near the I-10 corridor, combined with its approved freeport exemption, continues to attract a diverse mix of manufacturing, logistics, and commercial operations, including Amazon, Costco, Goya Foods, Grundfos, Houston Executive Airport, Igloo, MAN Energy Solutions (formerly MAN Diesel & Turbo SE) North American headquarters, Rooms To Go, Ross Distribution, and the Twinwood Business Park. In addition to these major employers, ongoing industrial and logistics development along the corridor contributes to the expansion and diversification of the local economy. Together, these factors strengthen the District's commercial tax base, provide stable employment opportunities, and support long-term financial stability and capacity to fund educational operations.

- The District continues to experience rapid residential growth. Seven subdivisions are actively under construction, including Freeman Ranch (1,124 total lots), Bluestem–Signorelli (1,300 potential lots), Riverway Farms (1,000 potential lots), Sandell MH Park (175 potential lots), Sunterra (2,000 potential lots), Sports Flyer Estates (85 lots), and Oak Meadows (45 lots). In addition, the District anticipates future development from Woodmore–Pattison Farms, Maple Grove, Rosebrook Holding Tract, Bold Fox, Sofi Lakes, Greenland Tract–Ersa Grae, LGI, Sun Lantana Ranch South, Gamal Enterprise, Jasek Tract, and a local developer. Recently announced plans for Sunterra Lakes, a master-planned community projected to include approximately 4,000 homes, are expected to further contribute to residential growth within the District. When fully developed, these active and planned projects are expected to result in more than 22,000 homes, supporting both enrollment growth and the expansion of the District's local tax base.

- The District has experienced sustained enrollment growth over the past five years, with fall PEIMS enrollment increasing from approximately 2,476 students in 2020-21 to 2,884 students in 2024-25, representing an increase of approximately 16.5%. The 2025-26 enrollment is 3,093 students, an increase of nearly 25% since 2020-21. This growth reflects ongoing community expansion and new housing development within District boundaries. With continued construction of active subdivisions and planned master-planned communities such as Sunterra Lakes, enrollment is projected to continue rising, supporting the District's long-range planning for facilities, staffing, and educational programs.

- From tax year 2020 to 2024, the district's certified assessed property values, after applicable freezes, increased from $1,725,128,867 to $4,050,847,060, an approximate 135% rise, and further grew to $4,578,901,446 in 2025, a 13% increase, primarily driven by commercial development along the I-10 corridor.

- In May 2025, voters approved the Attendance Credit Election, authorizing mandatory recapture payments to the State and allowing the District to permanently retain its existing commercial tax base. The election is required by the State of Texas and the Texas Education Agency for property-wealthy school districts.
- Royal ISD has undertaken significant capital improvements funded by voter-approved bonds. In May 2023, voters approved Proposition A for $138,069,530, which supported the construction of a new PK–5 elementary school (opened August 2025) and a new Ag Science Expo Center (scheduled to open Spring 2026). Renovations to the existing Expo Center, converting it into CTE classrooms, and the expansion/renovation of the transportation barn are also expected to be completed in Spring 2026, with additional campus renovations scheduled for Summer 2026. Additional projects includes safety and tech upgrades. In November 2025, voters approved Proposition A for $350,632,995 to fund a new high school and related facilities, as well as Proposition C for $6,000,000 to acquire land for future school facilities. The Interest & Sinking (I&S) tax rate has not increased due to the increased growth in property values.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office at P.O. Box 489, Pattison, Texas 77466 or by calling (281) 934-1330.

BASIC FINANCIAL STATEMENTS

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ROYAL INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

AUGUST 31, 2025

Control Codes		Governmental Activities
	ASSETS	
1110	Cash and cash equivalents	$ 2,370,394
1120	Current investments	103,855,165
1220	Property taxes receivable (delinquent)	3,671,479
1230	Allowance for uncollectible taxes	(1,259,760)
1240	Due from other governments	1,524,115
1290	Other receivables, net	26,762
1410	Prepaids	5,170
	Capital assets:	
1510	Land	2,570,664
1520	Buildings, net	55,164,682
1530	Furniture and equipment, net	2,747,982
1550	Right to use, net	507,006
1580	Construction in progress	62,246,450
1000	Total assets	233,430,109
	DEFERRED OUTFLOWS OF RESOURCES	
1701	Deferred charges on refunding	559,359
1705	Deferred outflows related to pensions	3,034,141
1706	Deferred outflows related to OPEB	4,241,100
1700	Total deferred outflows of resources	7,834,600
	LIABILITIES	
2110	Accounts payable	7,874,784
2140	Interest payable	312,495
2150	Payroll deductions and withholdings	4,961
2160	Accrued wages payable	25
2180	Due to other governments	1,189,159
	Noncurrent liabilities:	
	Due within one year:	
2501	Long-term debt	8,755,929
	Due in more than one year:	
2502	Long-term debt	169,762,556
2540	Net pension liability	9,342,383
2545	Net OPEB liability	6,881,948
2000	Total liabilities	204,124,240
	DEFERRED INFLOWS OF RESOURCES	
2605	Deferred inflows related to NPL	470,647
2606	Deferred inflows related to OPEB	5,881,835
2600	Total deferred inflows of resources	6,352,482
	NET POSITION	
3200	Net investment in capital assets	25,938,427
	Restricted:	
3820	Restricted for federal and state programs	1,395,455
3850	Restricted for debt service	8,834,059
3900	Unrestricted	(5,379,954)
3000	Total net position	$ 30,787,987

The accompanying notes are an integral part of this financial statement.

ROYAL INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues 3 Charges for Services
	Primary government:		
	Governmental activities:		
11	Instruction	$ 20,714,498	$ -
12	Instructional resources and media services	416,814	-
13	Curriculum and staff development	875,701	-
21	Instructional leadership	602,937	-
23	School leadership	2,219,755	-
31	Guidance, counseling, and evaluation services	1,535,830	-
32	Social work services	306,627	-
33	Health services	377,231	-
34	Student (pupil) transportation	2,012,479	-
35	Food service	2,207,188	96,596
36	Extracurricular activities	1,914,357	101,520
41	General administration	1,729,336	-
51	Facilities maintenance and operations	4,931,311	-
52	Security and monitoring services	66,387	-
53	Data processing services	1,153,833	-
61	Community services	16,701	-
72	Debt Service - interest on long-term debt	5,247,261	-
73	Debt Service - bond issuance costs and fees	382,954	-
91	Contracted instructional services between schools	2,242,538	-
93	Payments to fiscal agent/member districts of SSA	22,746	-
99	Other intergovernmental charges	562,136	-
	[TP] Total primary government	$ 49,538,620	$ 198,116
	General revenues:		
	Taxes:		
MT	Property taxes, levied for general purposes		
DT	Property taxes, levied for debt service		
GC	Grants and contributions not restricted		
IE	Investment earnings		
MI	Miscellaneous local and intermediate revenue		
TR	Total general revenues		
CN	Change in net position		
NB	Net position, beginning as previously reported		
	Restatement:		
PA	Change in accounting principle		
NB	Net position, beginning as restated		
NE	Net position, ending		

The accompanying notes are an integral part of this financial statement.

Net (Expense) Revenue and Changes in Net Position	
4	6
Operating Grants and Contributions	Primary Gov. Governmental Activities
$ 1,998,285	$ (18,716,213)
2,867	(413,947)
205,812	(669,889)
114,945	(487,992)
77,524	(2,142,231)
562,272	(973,558)
27,431	(279,196)
10,833	(366,398)
53,115	(1,959,364)
2,139,719	29,127
25,431	(1,787,406)
52,582	(1,676,754)
35,656	(4,895,655)
371,947	305,560
17,036	(1,136,797)
11,822	(4,879)
491,087	(4,756,174)
-	(382,954)
-	(2,242,538)
22,746	-
-	(562,136)
$ 6,221,110	(43,119,394)
	30,985,172
	14,739,220
	3,109,509
	4,721,061
	268,588
	53,823,550
	10,704,156
	21,658,525
	(1,574,694)
	20,083,831
	$ 30,787,987

ROYAL INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS

AUGUST 31, 2025

Data Control Codes		10 General	50 Debt Service
	ASSETS		
1110	Cash and cash equivalents	$ 860,186	$ 57,040
1120	Investments - current	9,426,573	8,328,581
1220	Property taxes - delinquent	2,513,073	1,158,406
1230	Allowance for uncollectible taxes	(862,287)	(397,473)
1240	Due from other governments	715,121	-
1260	Due from other funds	817,187	-
1290	Other receivables	9,870	-
1410	Prepaid items	250	-
1000	Total assets	13,479,973	9,146,554
	LIABILITIES		
2110	Accounts payable	135,584	-
2150	Payroll deductions and withholdings	4,961	-
2160	Accrued wages payable	-	-
2170	Due to other funds	-	-
2180	Due to other governments	1,150,514	-
2000	Total liabilities	1,291,059	-
	DEFERRED INFLOWS OF RESOURCES		
2601	Unavailable revenue - property taxes	1,282,762	586,074
2600	Total deferred inflows of resources	1,282,762	586,074
	FUND BALANCES		
	Nonspendable Fund Balance:		
3430	Prepaid items	250	-
	Restricted Fund Balance:		
3450	Federal or state funds grant restriction	-	-
3470	Capital acquisitions and contractual obligations	-	-
3480	Retirement of long-term debt	-	8,560,480
3490	Other restricted fund balance	-	-
	Committed Fund Balance:		
3545	Campus activities	-	-
	Assigned Fund Balance:		
3590	Subsequent year's budget	2,771,231	-
3600	Unassigned fund balance	8,134,671	-
3000	Total fund balances	10,906,152	8,560,480
4000	Total liabilities, deferred inflows of resources and fund balances	$ 13,479,973	$ 9,146,554

The accompanying notes are an integral part of this financial statement.

60 Capital Projects	Other Funds	98 Total Governmental Funds
$ -	$ 1,453,168	$ 2,370,394
86,100,011	-	103,855,165
-	-	3,671,479
-	-	(1,259,760)
-	808,994	1,524,115
-	-	817,187
567	16,325	26,762
-	4,920	5,170
86,100,578	2,283,407	111,010,512
7,726,149	13,051	7,874,784
-	-	4,961
-	25	25
45,864	771,323	817,187
-	38,645	1,189,159
7,772,013	823,044	9,886,116
-	-	1,868,836
-	-	1,868,836
-	4,920	5,170
-	1,395,455	1,395,455
78,328,565	-	78,328,565
-	-	8,560,480
-	34,649	34,649
-	30,259	30,259
-	-	2,771,231
-	(4,920)	8,129,751
78,328,565	1,460,363	99,255,560
$ 86,100,578	$ 2,283,407	$ 111,010,512

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ROYAL INDEPENDENT SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION

AUGUST 31, 2025

Total fund balances - governmental funds		$ 99,255,560
1	Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.	123,236,784
2	Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Losses on refunding of bonds and the premium on issuance of bonds payable are netted against the long-term liabilities in the statement of net position.	(178,271,621)
3	Included in the items related to debt is the recognition of the District's proportion share of the net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of $3,034,141, a deferred resource inflow in the amount of $470,647, and a net pension liability in the amount of $9,342,383. This resulted in a decrease in net position.	(6,778,889)
4	Included in the items related to debt is the recognition of the District's proportion share of the net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of $4,241,100, a deferred resource inflow in the amount of $5,881,835, and a net OPEB liability in the amount of $6,881,948. This resulted in a decrease in net position.	(8,522,683)
5	Uncollected property taxes and penalties and interest are reported as deferred inflows in the governmental funds balance sheet, but are recognized as revenue in the statement of activities.	1,868,836
29	Net position of governmental activities	$ 30,787,987

The accompanying notes are an integral part of this financial statement.

ROYAL 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	50 Debt Service
	REVENUES		
5700	Total local and intermediate sources	$ 31,249,815	$ 14,838,961
5800	State program revenues	4,970,245	491,087
5900	Federal program revenues	195,654	-
5020	Total revenues	36,415,714	15,330,048
	EXPENDITURES		
	Current:		
0011	Instruction	18,751,913	-
0012	Instructional resources and media services	175,874	-
0013	Curriculum and instructional staff development	682,974	-
0021	Instructional leadership	522,846	-
0023	School leadership	2,251,551	-
0031	Guidance, counseling, and evaluation services	1,043,665	-
0032	Social work services	265,856	-
0033	Health services	347,340	-
0034	Student (pupil) transportation	1,819,520	-
0035	Food service	20	-
0036	Extracurricular activities	1,504,456	-
0041	General administration	1,714,690	-
0051	Facilities maintenance and operations	4,155,896	-
0052	Security and monitoring services	460,621	-
0053	Data processing services	1,213,641	-
0061	Community services	4,879	-
	Debt service:		
0071	Principal on long-term debt	892,813	9,610,000
0072	Interest on long-term debt	217,198	5,411,285
0073	Bond issuance costs and fees	400	11,450
	Capital outlay:		
0081	Facilities acquisition and construction	-	-
	Intergovernmental:		
0091	Contracted instructional services between schools	2,242,538	-
0093	Payments to fiscal agent/member districts of SSA	-	-
0099	Other Intergovernmental	562,136	-
6030	Total expenditures	38,830,827	15,032,735
1100	**EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES**	(2,415,113)	297,313
	OTHER FINANCING SOURCES (USES)		
7911	Issuance of bonds	-	-
7913	Issuance of leases	557,345	-
7916	Premium on issuance of bonds	-	-
7080	Total other financing sources (uses)	557,345	-
1200	**NET CHANGE IN FUND BALANCES**	(1,857,768)	297,313
0100	**FUND BALANCES, BEGINNING**	12,763,920	8,263,167
3000	**FUND BALANCES, ENDING**	$ 10,906,152	$ 8,560,480

The accompanying notes are an integral part of this financial statement.

60 Capital Projects	Other Funds	98 Total Governmental Funds
$ 3,823,534	$ 303,350	$ 50,215,660
-	461,101	5,922,433
-	4,215,922	4,411,576
3,823,534	4,980,373	60,549,669
17,194	1,386,427	20,155,534
-	7,338	183,212
-	199,792	882,766
-	98,228	621,074
-	-	2,251,551
-	522,024	1,565,689
-	16,857	282,713
-	-	347,340
742,942	-	2,562,462
-	2,542,294	2,542,314
-	66,644	1,571,100
-	10,141	1,724,831
-	-	4,155,896
-	359,832	820,453
-	-	1,213,641
-	11,822	16,701
-	-	10,502,813
-	-	5,628,483
371,104	-	382,954
55,171,015	-	55,171,015
-	-	2,242,538
-	22,746	22,746
-	-	562,136
56,302,255	5,244,145	115,409,962
(52,478,721)	(263,772)	(54,860,293)
37,415,000	-	37,415,000
-	-	557,345
1,026,201	-	1,026,201
38,441,201	-	38,998,546
(14,037,520)	(263,772)	(15,861,747)
92,366,085	1,724,135	115,117,307
$ 78,328,565	$ 1,460,363	$ 99,255,560

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ROYAL INDEPENDENT SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2025

Net change in fund balances - total governmental funds	$ (15,861,747)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	53,494,540
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.	696,497
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in treatment of long-term debt and related items.	(27,910,380)
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by $1,002,591. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling $920,787. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by $523,711. The net result is a decrease in the change in net position.	(441,907)
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by $210,484. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability. This caused a decrease in net position totaling $203,816. Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense increased the change in net position by $720,485. The net result is an increase in the change in net position.	727,153
Change in net position of governmental activities	$ 10,704,156

The accompanying notes are an integral part of this financial statement.

EXHIBIT E-1

ROYAL INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS

AUGUST 31, 2025

	Custodial Funds Student Activity
ASSETS	
Cash and cash equivalents	$ 105,555
Total assets	105,555
NET POSITION	
Restricted for:	
Individuals, organizations and other governments	105,555
Total net position	$ 105,555

The accompanying notes are an integral part of this financial statement.

ROYAL INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS

FOR THE YEAR ENDED AUGUST 31, 2025

	Custodial Funds Student Activity
ADDITIONS	
Contributions to student groups	$ 238,815
Interest	2,753
Total additions	241,568
DEDUCTIONS	
Payments on-behalf of student groups	219,895
Total deductions	219,895
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	21,673
NET POSITION, BEGINNING	83,882
NET POSITION, ENDING	$ 105,555

The accompanying notes are an integral part of this financial statement.

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Royal Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas (the "State"). 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 promulgated by the Governmental Accounting Standards Board (GASB) and it complies with the requirements of the appropriate version of Texas Education Agency's (TEA) *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

The District is an independent political subdivision of the State governed by a board elected by the public, and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations, and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the District's financial reporting entity. No other entities have been included in the District's reporting entity. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately.

C. Basis of Presentation

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

The District reports the following governmental funds:

General Fund – The general fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The general fund is always considered a major fund for reporting purposes.

Debt Service Fund – The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest on all long-term debt of the District. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a major fund for reporting purposes.

Capital Projects Fund – The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlay, including the acquisition or construction of capital facilities and other capital assets. The capital projects fund is considered a major fund for reporting purposes.

Additionally, the District reports the following fund types:

Governmental Funds:

Special Revenue Funds – The special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes other than debt service or capital projects. The restricted proceeds of specific revenue sources comprise a substantial portion of the inflows of these special revenue funds. Most federal and some state financial assistance is accounted for in a special revenue fund and are used to account for revenues and expenditures related to each grant awards and entitlements. These funds are primarily on a reimbursement basis and has a program year that does not coincide with the District's fiscal year. These special revenue funds are considered major funds for reporting purposes.

Fiduciary Funds:

The fiduciary fund accounts for assets held by the District in a trustee capacity or as a custodian on behalf of others. The fiduciary fund is not reflected in the government-wide financial statements because the resources of this fund are not available to support the District's own programs.

The District has the following types of fiduciary fund:

Custodial Fund – The custodial fund reports resources, not in a trust, that are held by the District for other parties outside of the District. The custodial fund is accounted for using the accrual basis of accounting. This fund is used to account for the District's student activity funds.

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

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

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

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

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

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

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

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

E. Assets, Liabilities, and Net Position or Equity

1. Cash and Cash Equivalents

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

2. Investments

Investments, except for certain investment pools, commercial paper, money market funds, and investment contracts, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost. Money market funds, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations and commercial paper that have a remaining maturity of one year or less upon acquisition, are reported at amortized cost. Investments in nonparticipating interest-earning contracts, such as certificates of deposit are reported at cost.

The District has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Government Code. In summary, the District is authorized to invest in the following:

Direct obligations of the U.S. Government
Fully collateralized certificates of deposit and money market accounts
Government investment pools and commercial paper

3. Inventories

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred (i.e., the purchase method). Certain payments to vendors reflect costs applicable to the future accounting period (prepaid expenditures) are recognized as expenditures when utilized.

4. Restricted Assets

Certain proceeds of bonds, as well as other resources set aside for specific purposes, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or contractual agreements.

5. Capital Assets

Capital assets, which include land, buildings, furniture, and equipment, and right to use – equipment are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. Additionally, the Council's policy is to capitalize groups of assets, regardless of the individual cost of the item, when the total cost of the group purchase exceeds $150,000.

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.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Asset Description	Years
Buildings & improvements	1 - 39
Vehicles	5
Equipment	1 - 7
Right to use - equipment	3 - 5

6. Leases

The District is a lessee for various noncancellable leases of equipment. The District recognizes a lease liability and an intangible, right-to-use lease asset (the "lease asset") in the government-wide financial statements. At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over the lease term.

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

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancellable period of the lease.

- Lease payments included in the measurement of the lease liability are composed of fixed payments and the purchase option price that the District is reasonably certain to exercise.

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

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the Statement of Net Position.

7. Long-term Obligations

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

Long-term debt for governmental funds is not reported as a liability in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payment of principal and interest is reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable, available financial resources.

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with the interest earned in the debt service fund.

8. 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.

9. Other Post-Employment Benefits

The fiduciary net position of the TRS Texas Public School Retired Employees Group Insurance Program ("TRSCare") 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 OPEB, 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.

10. Deferred outflows/inflows of resources

In addition to assets, the statement of net 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 assets that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of net 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 assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension/other postemployment benefits (OPEB) activities are amortized over the average of the expected service lives of pension/OPEB plan members, except for the net differences between the projected and actual investment earnings on the pension/OPEB plan assets, which are amortized over a period of five years.

- For employer pension/OPEB plan contributions that were made subsequent to the measurement date through the end of the District's fiscal year, the amount is deferred and recognized as a reduction to the net pension/OPEB liability during the measurement period in which the contributions were made.

- A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

At the fund level, the District has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

11. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

12. Interfund Activity

Interfund activity results from loans, services provided, reimbursements, or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidations. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers in and transfers out are netted and presented as a single "Transfers" line on the government-wide Statement of Activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide Statement of Net Position.

13. Fund Balance Classification

Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).
Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions are classified as restricted fund balance.

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

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The District's Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

14. Fund Balance Flow Assumptions

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

15. Net Position Flow Assumption

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

16. Program Revenue

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

17. Property Taxes

All taxes due to the District on real or personal property are payable at the Office of the Tax Assessor-Collector and may be paid at any time after the tax rolls for the year have been completed and approved, which is no later than October 1. Taxes are due by January 31, and all taxes not paid prior to this date are deemed delinquent and are subject to such penalty and interest.

Property taxes attach as an enforceable lien on property as of January 1 each year. Taxes are levied on October 1 and are payable prior to the next February 1. District property tax revenues are recognized when collected.

18. Data Control Codes

The data control codes refer to the account code structure prescribed by TEA in the Resource Guide. The TEA requires school districts to display these codes in the financial statements filed with the TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

19. Estimates

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

20. Change in Accounting Principle

During fiscal year 2025, the District adopted the following new accounting guidance:

GASB Statement No. 101, *Compensated Absences* – The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. Accordingly, the cumulative effect of the accounting change has been recognized in a restatement of beginning net position for the year ended August 31, 2024.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. The original budget is adopted by the District prior to the beginning of the year. The legal level of control is the function code stated in the approved budget. Appropriations lapse at the end of the year.

In accordance with State law and generally accepted accounting principles, the District prepares an annual budget for the general fund, the national school breakfast and lunch program special revenue fund, and the debt service fund. Special revenue funds have budgets approved by the funding agency and are amended throughout the year as required.

During the year, the District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenditures. There were no material changes between the original budget and the final amended budget.

III. DETAILED NOTES ON ALL FUNDS

Credit Risk

The District's policy requires that investment pools must be rated no lower than 'AAA' or 'AAAm'. Bankers' acceptances must be issued in the United States and carry a rating of 'A1'/'P1' as provided by two of the nationally recognized rating agencies. As of August 31, 2025, the District's investments in investment pools were rated 'AAAm' or 'AAA' by Standard and Poor's.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that the District's deposits may not be returned in the event of a bank failure. The District's investment policy requires funds on deposit at the depository bank to be collateralized by securities. As of August 31, 2025, fair market values of pledged securities and FDIC coverage exceeded bank balances.

Custodial Credit Risk - Investments

For an investment, this is the risk that the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party in the event of the failure of the counterparty. The District's investment policy requires that it will seek to safekeep securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, shall be conducted on a delivery versus payment basis or commercial book entry system as utilized by the Federal Reserve and shall be protected through the use of a third-party custody/safekeeping agent.

Interest Rate Risk

In accordance with its investment policy, the District manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations and invest operating funds primarily in short-term securities.

Cash Deposits

At August 31, 2025, the carrying amount of the District's deposits (cash, certificates of deposit, and interest bearing savings accounts included in temporary investments) was $2,475,949, and the bank balance was $3,022,252. The District's cash deposits at August 31, 2025 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

Investments – Cash Equivalents

The District is required by Government Code Chapter 2256, the Public Funds Investment Act (the "Act"), 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, and (9) bid solicitation preferences for certificates of deposit.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions: 1) obligations of the U.S. Treasury, U.S. agencies, and the State; 2) certificates of deposit; 3) certain municipal securities; 4) securities lending program; 5) repurchase agreements; 6) bankers' acceptances; 7) mutual funds; 8) investment pools; 9) guaranteed investment contracts; and 10) commercial paper.

As of August 31, 2025, the District had the following investments:

Investment Type	Reported Value	Rating	Weighted Average Maturity (Days)
TexSTAR	$ 6,498,845	AAAm	47
TexPool	4,357,569	AAAm	42
Texas CLASS	88,908,936	AAAm	44
LOGIC	4,089,815	AAAm	51
Total	$ 103,855,165		

TexSTAR

The Texas Short-Term Asset Reserve Fund (TexSTAR) is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. TexSTAR was created in April 2002 by contract among its participating governmental units and is governed by a board of directors. JPMorgan Fleming Asset Management (USA), Inc. and First Southwest Asset Management, Inc. act as co-administrators, providing investment management services, participant services, and marketing. JPMorgan Chase Bank and/or its subsidiary, J.P. Morgan Investor Services, Inc., provide custodial, transfer agency, fund accounting, and depository services.

TexSTAR is measured at amortized cost. TexSTAR's strategy is to seek preservation of principal, liquidity, and current income through investment in a diversified portfolio of short-term marketable securities. The District has no unfunded commitments related to TexSTAR. TexSTAR has a redemption notice period of one day and may redeem daily. TexSTAR's authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or national state of emergency that affects TexSTAR's liquidity.

TexPool

TexPool was established as a trust company with the Treasurer of the State as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard and Poor's rates TexPool 'AAAm'. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard and Poor's, as well as to the office of the Comptroller of Public Accounts for review.

TexPool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, TexPool must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity, and diversification requirements within TexPool. TexPool transacts at a net asset value of $1.00 per share, has weighted average maturities of 60 days or less, and weighted average lives of 120 days or less. Investments held are highly rated by nationally recognized statistical rating organizations, have no more than five percent of portfolio with one issuer (excluding U.S. government securities), and can meet reasonably foreseeable redemptions. TexPool has a redemption notice period of one day and may redeem daily. TexPool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or national state of emergency that affects TexPool's liquidity.

Texas CLASS

The Texas Cooperative Liquid Assets Securities System Trust – Texas (CLASS) is a public funds investment pool under Section 2256.016 of the Public Funds Investment Act, Texas Government Code, as amended. CLASS is created under an amended and restated trust agreement, dated as of December 14, 2011 (the "Agreement"), among certain Texas governmental entities investing in CLASS (the "Participants"), with Cutwater Investor Services Corporation as program director and Wells Fargo Bank Texas, NA as custodian. CLASS is not SEC registered and is not subject to regulation by the State. Under the Agreement, however, CLASS is administered and supervised by a seven-member Board of Trustees (the "Board"), whose members are investment officers of the Participants, elected by the Participants for overlapping two-year terms. In the Agreement and by resolution of the Board, CLASS has contracted with Cutwater Investors Service Corporation to provide for the investment and management of the public funds of CLASS. Separate financial statements for CLASS may be obtained from CLASS' website at www.texasclass.com.

LOGIC

The District invests in the Local Government Investment Cooperative (LOGIC), which is a local government investment pool organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. LOGIC's governing body is a five-member Board of Directors comprised of employees, officers, or elected officials of participant government entities or individuals who do not have a business relationship with LOGIC and are qualified to advise it. A maximum of two advisory board members represent the co-administrators of LOGIC. The co-administrators of the day-to-day administration of LOGIC are First Southwest Company and J.P. Morgan Investment Management, Inc. LOGIC is rated at 'AAA' or equivalent rating from at least one nationally recognized rating agency and operates in a manner consistent with the SEC's Rule 2A7 of the Investment Company Act of 1940. LOGIC seeks to maintain a net asset value of $1.00 per unit and is designated to be used for investment of funds which may be needed at any time.

A. Interfund Balances and Transfers

Balance due to and due from other funds at August 31, 2025 consisted of the following:

Due from	Due to	Amount
Capital Projects Fund	General Fund	$ 45,864
Nonmajor Governmental Funds	General Fund	771,323
Total		$ 817,187

B. Due from Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully fund certain activities. The District also receives entitlements from the State through the School Foundation and Per Capita Programs. These amounts are reported in the basic financial statements as Due from Other Governments and are summarized below at August 31, 2025.

	General	Other Funds	Total
State entitlements	$ 630,025	$ -	$ 630,025
Other state grants	42,548	263,938	306,486
Federal grants	42,548	536,056	578,604
Other agencies	-	9,000	9,000
Total	$ 715,121	$ 808,994	$ 1,524,115

C. Capital Assets

A summary of changes in capital assets for governmental activities at year end is as follows:

	Beginning Balance 09/01/24	Increases	Decreases	Ending Balance 08/31/25
Governmental activities:				
Right to use - equipment depreciated:				
Land	$ 2,535,734	$ 34,930	$ -	$ 2,570,664
Construction in progress	8,503,801	53,742,649	-	62,246,450
Total capital assets, not being depreciated	11,039,535	53,777,579	-	64,817,114
Capital assets, being depreciated:				
Buildings and improvements	110,511,340	514,144	-	111,025,484
Furniture and equipment	2,201,701	1,404,302		3,606,003
Vehicles	3,668,888	799,579		4,468,467
Right to use - equipment	517,003	559,991	(372,129)	704,865
Total capital assets, being depreciated	116,898,932	3,278,016	(372,129)	119,804,819
Less accumulated depreciation for:				
Buildings and improvements	(53,097,992)	(2,762,810)		(55,860,802)
Furniture and equipment	(1,625,967)	(248,022)	-	(1,873,989)
Vehicles	(3,129,450)	(323,049)	-	(3,452,499)
Right to use - equipment	(342,814)	(227,174)	372,129	(197,859)
Total accumulated depreciation	(58,196,223)	(3,561,055)	372,129	(61,385,149)
Total capital assets, being depreciated, net	58,702,709	(283,039)	-	58,419,670
Governmental activities capital assets, net	$ 69,742,244	$ 53,494,540	$ -	$ 123,236,784

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

Governmental activities:	
Instruction	$ 1,313,632
Instructional resources	255,256
Curriculum and staff development	18,268
Instructional leadership	4,565
School leadership	73,428
Guidance, counseling and evaluation services	22,359
Social work services	37,517
Health services	45,316
Student transportation	259,546
Food services	290,920
Extracurricular activities	385,012
General administration	72,343
Plant maintenance and operations	728,036
Security and monitoring services	37,381
Data processing services	17,476
Total depreciation expense - governmental activities	$ 3,561,055

D. Long-term Debt

The following is a summary of changes in the District's total governmental long-term liabilities for the year. In general, the District uses the debt service fund to liquidate governmental long-term liabilities.

	Balance 9/1/2024	Additions	Reductions	Balance 8/31/2025	Amounts Due in One Year
Governmental activities:					
Bonds payable (publicly sold):					
Refunding 2013, CAB	$ 599,994	$ -	$ (55,000)	$ 544,994	$ 165,000
Refunding 2014	510,000	-	(510,000)	-	-
Refunding 2015, CAB	450,000	-	-	450,000	-
MNT 2015	1,250,000	-	(195,000)	1,055,000	200,000
Refunding 2016, CAB	7,465,000	-	(330,000)	7,135,000	820,000
Refunding 2017	27,340,000	-	(1,390,000)	25,950,000	1,415,000
Refunding 2018	970,000	-	(475,000)	495,000	495,000
Refunding 2021	4,850,000	-	(200,000)	4,650,000	205,000
Bonds 2023	44,585,000	-	(1,650,000)	42,935,000	505,000
Bonds 2024	47,215,000		(5,000,000)	42,215,000	715,000
Bonds 2025	-	$ 37,415,000	-	37,415,000	3,040,000
Bonds payable (direct borrowing):					
MNT 2022	6,789,000		(456,000)	6,333,000	466,000
Note payable	143,682		(46,959)	96,723	47,888
Lease payable	170,650	557,345	(194,854)	533,141	199,096
Bond premium	5,937,323	1,026,201	(585,101)	6,378,423	-
Accreted interest	681,147	41,241	-	722,388	-
Compensated absences	1,574,694	35,122	-	1,609,816	482,945
Retainage payable	239,253	-	(239,253)	-	-
Total long-term debt	$ 150,770,743	$ 39,074,909	$ (11,327,167)	$ 178,518,485	$ 8,755,929
Other long-term liabilities:					
Net pension liability	10,188,323		(845,940)	9,342,383	-
Net OPEB Liability	4,730,845	2,151,103	-	6,881,948	-
Total long-term liabilities	$ 165,689,911	$ 41,226,012	$ (12,173,107)	$ 194,742,816	$ 8,755,929

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds but rather is recognized as an expenditure when due.

Bonds Payable

Current requirements for principal and interest expenditures are accounted for in the general fund and the debt service fund. These bonds were issued as refunding bonds, maintenance tax notes, and building bonds. The refunding bond interest rate on the Series 2013 bonds is 2.00% to 4.00%, Series 2014 bonds is 2.50% to 3.00%, Series 2015 bonds is 3.00% to 4.00%, Series 2016 bonds is 1.60% to 4.00%, Series 2017 bonds is 3.00% to 5.00%, Series 2018 bonds is 1.90% to 2.65%, Series 2021 bonds is 0.150% to 1.80%, Series 2023 building bonds interest rate is 5.00%, Series 2024 interest rate is 5.00%, and Series 2025 interest rate is 5.00%. The Maintenance Tax Notes interest rate is 2.00% to 3.250%. Interest expense was $5,446,422 for the year ended August 31, 2025.

In July 2025, the District issued $37,415,000 of Unlimited Tax School Building Bonds, Series 2025 (the "Series 2025 Bonds"). Proceeds from the sale of these bonds will be used for the construction, acquisition, rehabilitation, renovation, expansion and equipment of school buildings in the District (including, but not limited to, a new agricultural science expo center, CTE additions for culinary arts and welding, and high school renovations to relocate junior ROTC and cosmetology programs to the CTE facility) and the purchase of the necessary sites for school buildings, and the costs of issuance of the bonds from the sale of the 2025 Bonds. The 2025 Bonds carry an interest rate of 5% and are set to mature in 2053.

The annual requirements to amortize debt issues outstanding at year end were as follows:

Fiscal Year Ended August 31	Bonds Payable		
	Principal	Interest	Total Requirements
2026	7,560,000	6,870,915	14,430,915
2027	4,676,328	6,995,359	11,671,687
2028	4,838,666	6,829,717	11,668,383
2029	5,455,000	6,218,655	11,673,655
2030	5,655,000	6,023,784	11,678,784
2031-2035	27,380,000	27,189,704	54,569,704
2036-2040	26,275,000	21,650,900	47,925,900
2041-2045	27,220,000	15,243,650	42,463,650
2046-2050	32,230,000	8,372,069	40,602,069
2051-2055	21,555,000	1,408,669	22,963,669
Totals	$ 162,844,994	$ 106,803,422	$ 269,648,416
Less interest left to accrete	722,388		
Total	$ 163,567,382		

Fiscal Year Ended August 31	Bonds Payable - Direct Borrowings		
	Principal	Interest	Total Requirements
2026	466,000	139,326	605,326
2027	477,000	129,074	606,074
2028	487,000	118,580	605,580
2029	498,000	107,866	605,866
2030	509,000	96,910	605,910
2031-2035	2,717,000	311,586	3,028,586
2036-2040	1,179,000	32,527	1,211,527
Totals	$ 6,333,000	$ 935,869	$ 7,268,869

Note Payable

The District entered into an agreement with Huntington National Bank for the purchase of a scoreboard in the amount of $239,245 to be with annual payments of $49,800 at an interest rate of 2%.

Fiscal Year Ended August 31	Note Payable		
	Principal	Interest	Total Requirements
2026	$ 47,888	$ 1,912	$ 49,800
2027	48,835	965	49,800
Totals	$ 96,723	$ 2,877	$ 99,600

Leases

The District entered into various copier and printer lease agreements with three to four year terms. The leases have payments that range from $2,393 to $84,768 and interest rates that range from 2.85% to 4.35%. As of 08/31/2025, the total combined value of the lease liability is $533,141.

The future principal and interest payments as of August 31, 2025 were as follows:

Fiscal Year Ended August 31	Leases		
	Principal	Interest	Total Requirements
2026	199,096	17,390	216,486
2027	187,169	9,971	197,140
2028	125,795	3,750	129,545
2029	21,081	111	21,192
Totals	$ 533,141	$ 31,222	$ 564,363

E. 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 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. TRS's Board of Trustees does not have the authority to establish or amend benefit terms.

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

Pension Plan Fiduciary Net Position. Detailed information about TRS's fiduciary net position is available in a separately issued Annual Comprehensive Financial Report that includes financial statements and Required Supplementary Information. That report may be obtained on the Internet https://www.trs.texas.gov/; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512)-542-6592.

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 the State. The pension formula is calculated using 2.3% (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered under a previous rule.

There are no automatic postemployment benefit changes, including automatic cost-of-living adjustments (COLAs). Ad hoc postemployment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan Description above.

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

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 Article 16, section 67 of the Texas Constitution which requires the Texas Legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of TRS during the fiscal year.

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

	Contribution Rates	
	2024	2025
Active Employee	8.25%	8.25%
Non-Employer Contributing Entity (State)	8.25%	8.25%
Employers	8.25%	8.25%

Current fiscal year employer contributions	$ 1,002,591
Current fiscal year member contributions	2,002,099
2024 measurement year NECE on-behalf contributions	1,408,263

Contributors to TRS include members, employers, and the State as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools, and state agencies, including TRS. In each respective role, the State contributes to TRS 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 contributes to TRS an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of TRS 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 as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.

- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.

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

In addition to the employer contributions listed above, there are two additional surcharges 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 was based on an actuarial valuation as of August 31, 2023, and rolled forward to August 31, 2024, and determined using the following actuarial assumptions:

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

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

Discount Rate. A single discount rate of 7.00 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.00 percent. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the 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 9.50 percent of payroll in fiscal year 2025 gradually increasing to 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 expected 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[2]	Long-Term Expected Geometric Real Rate of Return[3]	Expected Contribution to Long-Term Portfolio Return
Global Equity			
U.S.	18.00%	4.40%	1.00%
Non-U.S. Developed	13.00%	4.20%	0.80%
Emerging Markets	9.00%	5.20%	0.70%
Private Equity[1]	14.00%	6.70%	1.20%
Stable Value			
Government Bonds	16.00%	1.90%	0.40%
Absolute Return[1]	0.00%	4.00%	0.00%
Stable Value Hedge Funds	5.00%	3.00%	0.20%
Real Return			
Real Estate	15.00%	6.60%	1.20%
Energy, Natural Resources & Infrastructure	6.00%	5.60%	0.40%
Commodities	-	2.50%	-
Risk Parity	8.00%	4.00%	0.40%
Asset Allocation Leverage			
Cash	2.00%	1.00%	0.00%
Asset Allocation Leverage	-6.00%	1.30%	-0.10%
Inflation Expectation			2.40%
Volatility Drag[4]			-0.70%
Expected Return	**100.00%**		**7.90%**

[1] Absolute Return includes Credit Sensitive Investments.

[2] Target allocations are based on the FY2024 policy model.

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

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

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.00%) in measuring the 2024 Net Pension Liability.

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
Proportionate share of the net pension liability:	$ 14,922,153	$ 9,342,383	$ 4,719,147

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At the measurement year ended August 31, 2025, the District reported a liability of $9,342,383 for its proportionate share of the TRS's NPL. 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 NPL, the related State support, and the total portion of the NPL that was associated with the District were as follows:

District's Proportionate share of the collective net pension liability	$	9,342,383
State's proportionate share that is associated with the District		15,264,801
Total	$	24,607,184

The net pension liability was measured as of August 31, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2023. 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 thru August 31, 2024.

At the measurement year ended August 31, 2024, the District's proportion of the collective NPL was 0. 0152942771%, which was an increase of 0. 0004620293% from its proportion measured as of August 31, 2023.

Changes Since the Prior Actuarial Valuation. The actuarial assumptions and methods have are the same since the determination of the prior year's Net Pension Liability.

Changes in Benefit Provisions Since Prior Measurement Date.

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

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

For the year ended August 31, 2025, the District recognized pension expense of $3,268,897 and revenue of $1,824,399 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 514,939	$ 72,941
Changes in actuarial assumptions	482,367	64,669
Difference between projected and actual investment earnings	56,789	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	977,455	333,037
Contributions paid to TRS subsequent to the measurement date	1,002,591	-
Total as of fiscal year-end	$ 3,034,141	$ 470,647

The $1,002,591 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2026.

The net amounts of the Districts balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal year ended August 31,	Pension Expense Amount
2026	$ 179,532
2027	1,224,802
2028	237,062
2029	(139,508)
2030	59,015

F. Health Care

During the year ended August 31, 2025, employees of the District were covered by a health insurance plan (the "Plan"). The District paid premiums of $225 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement. The contract between the District and the insurer is renewable September 1, 2023 and terms of coverage and premiums costs are included in the contractual provisions.

G. Defined Other Post-Employment Benefit Plans

Plan Description. The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined other post-employment benefit (OPEB) plan 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 that includes financial statements and required supplementary information. That report may be obtained on the Internet at http://www.trs.texas.gov/; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

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

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

The schedule below shows the monthly rates for a retiree with and without Medicare coverage:

TRS-Care Monthly for Retirees		
	Medicare	Non-Medicare
Retiree or Surviving spouse	$ 135	$ 200
Retiree and Spouse	529	689
Retiree pr Surviving Spouse and Children	468	408
Retiree and Family	1,020	999

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the employer. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act, which is 0.75% of each active employee's pay for fiscal year 2024. The following table shows contributions to the TRS-Care plan by type of contributor.

	Contribution Rates	
	2024	2025
Active employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding Remitted by Employers	1.25%	1.25%
Current fiscal year employer contributions		$ 210,484
Current fiscal year member contributions		157,738
2024 measurement year NECE on-behalf contributions		258,065

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (*regardless of whether 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 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 developed in the experience study performed for TRS for the period ending August 31, 2021. The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2023 TRS pension actuarial valuation that was rolled forward to August 31, 2024:

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

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 morality projection scale MP-2021.

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%
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
Healthcare Trend Rates	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.
Election Rates	Normal Retirement - 62 percent participation rate prior to age 65 and 25 percent participation rate after age 65. Pre-65 retirees - 30 percent of pre-65 retirees are assumed to discontinue coverage at age 65.
Ad hoc post-employment benefit changes	None

Discount Rate. A single discount rate of 3.87 percent was used to measure the Total OPEB Liability. There was an decrease of .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 Buyer's "20-Bond GO Index" as of August 31, 2024, using the Fixed Income Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

Discount Rate Sensitivity Analysis. 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 in measuring the net OPEB liability.

	1% Decrease in Discount Rate (2.87%)	Discount Rate (3.87%)	1% Increase in Discount Rate (4.87%)
Proportionate share of net OPEB liability	$ 8,176,076	$ 6,881,948	$ 5,836,273

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 $6,881,948 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	$ 6,881,948
State's proportionate share that is associated with the District	8,622,987
Total	$ 15,504,935

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 0.0226741364% which was an increase of 0.0013046382% from its proportion measured as of August 31, 2023.

Healthcare Cost Trend Rates 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
Proportionate share of net OPEB liability	$ 5,604,325	$ 6,881,948	$ 8,546,818

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

- The 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 Since the Prior Measurement Date - There were no changes in benefit terms since the prior measurement date.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experiences	$ 1,319,038	$ 3,434,465
Changes in actuarial assumptions	880,808	2,245,500
Differences between projected and actual investment earnings	-	19,271
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,830,770	182,599
Contributions paid to OPEB subsequent to the measurement date	210,484	-
Total as of fiscal year-end	$ 4,241,100	$ 5,881,835

The $210,484 reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended August 31, 2026. The net amounts of the District's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year Ended August 31,	OPEB Expense
2026	$ (693,655)
2027	(381,963)
2028	(585,791)
2029	(427,147)
2030	(173,263)
Thereafter	410,600

For the year ended August 31, 2025, the District recognized OPEB expense of $(1,637,498) and revenue of $(1,120,829) for support provided by the State.

H. Medicare Part D- On-behalf Payments

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was 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 TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2025, 2024, and 2023, the subsidy payments received by TRS-Care on behalf of the District were $172,482, $125,540, and $112,698, respectively.

I. Self-Insured Workers' Compensation

During the year ended August 31, 2025, the District met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperative Act, Chapter 791 of the Texas Government Code. The Fund's Workers' Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members' injured employees.

The Fund and its members are protected against higher-than-expected claims costs through the purchase of stop-loss coverage for any claim in excess of the Fund's self-insured retention of $2 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2025, the Fund carries a discount reserve of $50,247,590 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2025, the Fund anticipated no additional liability to members beyond their contractual obligation for payment of contributions.

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

J. Unemployment Compensation

During the year ended August 31, 2025, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop-loss coverage for the unemployment compensation pool. For the year ended August 31, 2025, the Fund anticipates that the District has no additional liability beyond the contractual obligation or payment of contribution.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2023 are available at the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

K. Commitments and Contingencies

Grants

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds.
The amount of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

Claims and Judgments

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or not performed correctly, it could result in a substantial liability to the District. The District has engaged an arbitrage consultant to perform the calculations in accordance with IRS rules and regulations.

Construction Commitments

The District has entered into various construction contracts for construction and improvement of campus facilities using bond proceeds. As of August 31, 2025, significant commitments under construction contracts were as follows:

Project	Total Contract	Amount Paid to Date	Future Commitment
Royal Prairie Elementary School	$ 38,499,750	$ 35,726,502	$ 2,773,248
Ag Expo Center	14,600,000	8,882,757	5,717,243
Tarnsportation Center	4,538,639	2,418,808	2,119,831
High School Renovations-CTE	8,278,479	2,220,490	6,057,989
Royal Elementary	76,695	76,695	-
Royal Stem Academy	1,487,344	1,097,347	389,997
Royal Jr.High	2,960,803	2,387,813	572,990
Royal ECC	45,006	45,006	-
	$ 70,486,716	$ 52,855,418	$ 17,631,298

Future payment on all committed amounts is dependent on satisfactory performance by the contractor.

L. 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; and natural disasters for which the District purchases commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

M. Change in Accounting Principle

During fiscal year 2025, the District implemented GASB Statement No. 101, *Compensated Absences*. The adoption of this standard resulted in the recognition of additional liabilities for compensated absences. The cumulative effect of the accounting change increased liabilities and decreased beginning net position by $1,574,694. The restatement of beginning net position as follows:

	8/31/2024 As Previously Reported	Change in Accounting Principle	8/31/2024 As Restated
Governmental activities	$ 21,658,525	$ (1,574,694)	$ 20,083,831
Total primary government	$ 21,658,525	$ (1,574,694)	$ 20,083,831

N. New Accounting Pronouncements

Significant new accounting standards issued by the GASB not yet implemented by the District include the following:

GASB Statement No. 103, *Financial Reporting Model Improvements* – The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

GASB Statement No. 104, *Disclosure of Certain Capital Assets* - The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be presented separately in the note disclosures, including right-to-use assets related to leases, Subscription-Based Information Technology Arrangements, and public-private or public-public partnerships. Other intangible assets are also required to be presented separately by major class. Additional disclosures have also been required for capital assets held for sale. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

GASB Statement No 105, *Subsequent Events* – The objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. This Statement will become effective for fiscal years beginning after June 15, 2026, and the impact has not yet been determined.

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REQUIRED SUPPLEMENTARY INFORMATION

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EXHIBIT G-1

ROYAL 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 Original	Budgeted Amounts Final	Actual Amounts (GAAP Basis)	Variance with Final Budget Positive (Negative)
	REVENUES				
5700	Local and intermediate sources	$ 28,240,913	$ 30,392,407	$ 31,249,815	$ 857,408
5800	State program revenues	3,946,755	4,119,142	4,970,245	851,103
5900	Federal program revenues	415,779	415,779	195,654	(220,125)
5020	Total revenues	32,603,447	34,927,328	36,415,714	1,488,386
	EXPENDITURES				
	Current:				
0011	Instruction	18,310,140	18,731,849	18,751,913	(20,064)
0012	Instructional resources and media sources	185,154	185,684	175,874	9,810
0013	Curriculum and instructional staff development	754,687	752,259	682,974	69,285
0021	Instructional leadership	556,647	558,350	522,846	35,504
0023	School leadership	2,164,900	2,248,870	2,251,551	(2,681)
0031	Guidance, counseling, and evaluation services	1,296,839	1,230,561	1,043,665	186,896
0032	Social work services	64,046	270,031	265,856	4,175
0033	Health services	346,509	347,517	347,340	177
0034	Student (pupil) transportation	1,316,435	1,883,154	1,819,520	63,634
0035	Food service	500	500	20	480
0036	Extracurricular activities	1,477,015	1,522,561	1,504,456	18,105
0041	General administration	1,611,250	1,746,272	1,714,690	31,582
0051	Facilities maintenance and operations	4,103,293	4,719,153	4,155,896	563,257
0052	Security and monitoring services	554,888	481,187	460,621	20,566
0053	Data processing services	712,074	1,232,313	1,213,641	18,672
0061	Community services	5,500	6,000	4,879	1,121
	Debt service:				
0071	Principal on long-term debt	843,857	965,262	892,813	72,449
0072	Interest on long-term debt	211,439	188,896	217,198	(28,302)
0073	Bond issuance costs and fees	1,350	1,350	400	950
	Intergovernmental:				
0091	Contracted instrucitonal services between schools	-	1,092,024	2,242,538	(1,150,514)
0099	Other Intergovernmental	515,000	562,137	562,136	1
6030	Total expenditures	35,031,523	38,725,930	38,830,827	(104,897)
1100	**EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES**	(2,428,076)	(3,798,602)	(2,415,113)	1,383,489
	OTHER FINANCING SOURCES (USES)				
7913	Issuance of leases	-	557,345	557,345	-
7080	Total other financing sources (uses)	-	557,345	557,345	-
1200	**NET CHANGE IN FUND BALANCES**	(2,428,076)	(3,241,257)	(1,857,768)	1,383,489
0100	**FUND BALANCE, BEGINNING**	12,763,920	12,763,920	12,763,920	-
3000	**FUND BALANCES, ENDING**	$ 10,335,844	$ 9,522,663	$ 10,906,152	$ 1,383,489

ROYAL INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM

FOR THE YEAR ENDED AUGUST 31, 2025

Plan Year Ended August 31,	2024	2023	2022	2021
District's proportion of the net pension liability (asset)	0.015294277%	0.014832248%	0.013766604%	0.014705213%
District's proportionate share of the net pension liability (asset)	$ 9,342,383	$ 10,188,323	$ 8,172,879	$ 3,744,897
State's proportionate share of the net pension liability (asset) associated with the District	15,264,801	15,807,826	13,999,947	5,960,916
Total	$ 24,607,184	$ 25,996,149	$ 22,172,826	$ 9,705,813
District's covered payroll	$ 23,367,135	$ 20,815,210	$ 19,328,266	$ 18,564,577
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	39.98%	48.95%	42.28%	20.17%
Plan fiduciary net position as a percentage of the total pension liability	77.51%	73.15%	75.62%	88.79%

2020	2019	2018	2017	2016	2015
0.011991123%	0.013190060%	0.014693089%	0.014938108%	0.014655867%	0.014956800%
$ 6,422,201	$ 6,856,606	$ 8,087,433	$ 4,776,402	$ 5,538,234	$ 5,287,030
13,625,370	12,455,632	13,462,697	7,522,370	8,993,528	8,215,895
$ 20,047,571	$ 19,312,238	$ 21,550,130	$ 12,298,772	$ 14,531,762	$ 13,502,925
$ 17,515,113	$ 16,319,256	$ 16,629,322	$ 15,755,024	$ 15,174,769	$ 12,983,588
36.67%	42.02%	48.63%	30.32%	36.50%	40.72%
75.54%	75.24%	73.74%	82.17%	78.00%	78.43%

ROYAL INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM

FOR THE YEAR ENDED AUGUST 31, 2025

Fiscal Year Ended August 31,	2025	2024	2023	2022
Contractually required contribution	$ 1,002,591	$ 920,787	$ 642,713	$ 627,424
Contributions in relation to the contractually required contribution	(1,002,591)	(920,787)	(642,713)	(627,424)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 24,267,873	$ 23,367,135	$ 19,328,266	$ 18,564,577
Contribution as a percentage of covered payroll	4.13%	3.94%	3.33%	3.38%

2021	2020	2019	2018	2017	2016
$ 494,779	$ 461,668	$ 494,030	$ 489,585	$ 465,654	$ 420,813
(494,779)	(461,668)	(494,030)	(489,585)	(465,654)	(420,813)
$ -	$ -	$ -	$ -	$ -	$ -
$ 17,515,113	$ 16,319,256	$ 16,629,322	$ 15,755,024	$ 15,174,769	$ 12,983,588
2.82%	2.83%	2.97%	3.11%	3.07%	3.24%

ROYAL INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM

FOR THE YEAR ENDED AUGUST 31, 2025

Plan Year Ended August 31,	2024	2023	2022	2021
District's proportion of the net OPEB liability (asset)	0.0226741364%	0.0213694982%	0.0196545691%	0.0199259597%
District's proportionate share of the net OPEB liability (asset)	$ 6,881,948	$ 4,730,845	$ 4,706,091	$ 7,686,333
State's proportionate share of the net OPEB liability (asset) associated with the District	8,622,987	5,708,491	5,740,692	10,297,973
Total	$ 15,504,935	$ 10,439,336	$ 10,446,783	$ 17,984,306
District's covered-employee payroll	$ 23,367,135	$ 20,815,210	$ 19,328,266	$ 18,564,577
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	29.45%	22.73%	24.35%	41.40%
Plan fiduciary net position as a percentage of the total OPEB liability	13.70%	14.94%	11.52%	6.18%

Note: Only eight years of data is presented in accordance with GASB #75, paragraph 245. "The information for all fiscal years for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

2020	2019	2018	2017
0.0194230828%	0.0190758879%	0.019428372%	0.0177954994%
$ 7,383,591	$ 9,021,220	$ 9,700,764	$ 7,738,595
9,921,776	11,987,185	14,443,974	12,618,457
$ 17,305,367	$ 21,008,405	$ 24,144,738	$ 20,357,052
$ 17,515,113	$ 16,319,256	$ 16,629,322	$ 15,755,024
42.16%	55.28%	58.34%	49.12%
4.99%	2.66%	1.57%	0.91%

ROYAL INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM

FOR THE YEAR ENDED AUGUST 31, 2025

Fiscal year Ended August 31,	2025	2024	2023	2022
Contractually required contribution	$ 210,484	$ 203,816	$ 185,375	$ 160,361
Contributions in relation to the contractually required contribution	(210,484)	(203,816)	(185,375)	(160,361)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 24,267,873	$ 23,367,135	$ 20,783,768	$ 19,328,266
Contribution as a percentage of covered-employee payroll	0.87%	0.87%	0.89%	0.83%

Note: Only eight years of data is presented in accordance with GASB #75, paragraph 245. "The information for all fiscal years for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

2021	2020	2019	2018
$ 155,667	$ 147,629	$ 135,386	$ 133,465
(155,667)	(147,629)	(135,386)	(133,465)
$ -	$ -	$ -	$ -
$ 18,564,577	$ 17,515,113	$ 16,319,256	$ 16,629,322
0.84%	0.84%	0.83%	0.80%

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Budgetary Information

The official budget was prepared for adoption for the general fund in accordance with accounting principles generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data:

a. The District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.

b. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days public notice of the meeting has been given.

c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the Board.

Once a budget is approved, it can be amended at function and fund level only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end as required by law. Each amendment is controlled by the Superintendent or a disignee at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

Excess of Expenditures Over Appropriations

In the General Fund, the District had expenditures in excess of budgeted amounts in Functions 11 and 23, 72, and 91 in the amounts of $20,064, $2,681, $28,302, and $1,150,514 respectively. These overages were covered by under spending in other functions and additional revenues.

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COMBINING STATEMENTS

ROYAL INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

AUGUST 31, 2025

Data Control Codes		211 Title I, Part A-Improving Basic Program	224 IDEA-B Formula	225 IDEA-B Preschool
	ASSETS			
1110	Cash and cash equivalents	$ -	$ -	$ -
1240	Due from other governments	123,093	345,657	13,092
1290	Other receivables	-	-	-
1410	Prepaid Expenses	-	4,920	-
1000	Total assets	123,093	350,577	13,092
	LIABILITIES			
2110	Accounts payable	1	8,050	-
2160	Accrued wages payable	-	16	-
2170	Due to other funds	123,092	342,511	13,092
2180	Due to other governments	-	-	-
2000	Total liabilities	123,093	350,577	13,092
	FUND BALANCES			
	Nonspendable:			
3430	Prepaid items	-	4,920	-
	Restricted Fund Balance:			
3450	Federal or state funds grant restriction	-	-	-
3490	Other restricted fund balance	-	-	-
	Committed Fund Balance:			
3545	Campus Activities	-	-	-
3600	Unassigned Fund Balance	-	(4,920)	-
3000	Total fund balances	-	-	-
4000	Total liabilities and fund balances	$ 123,093	$ 350,577	$ 13,092

240 National Breakfast and Lunch Program	244 Perkins V: Strengthen. CTE for 21st Century	255 Title II, Part A-Supp. Effective Instruction	263 Title III, Part A ELA	270 Title IV, Part B	282 American Rescue Plan ESSER III
$ 1,358,496	$ -	$ -	$ 28,764	$ -	$ -
8,204	-	22,161	-	9,400	-
16,325	-	-	-	-	-
-	-	-	-	-	-
1,383,025	-	22,161	28,764	9,400	-
-	-	-	-	-	-
-	-	9	-	-	-
-	-	22,152	-	9,400	-
-	-	-	28,764	-	-
-	-	22,161	28,764	9,400	-
-	-	-	-	-	-
1,383,025	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,383,025	-	-	-	-	-
$ 1,383,025	$ -	$ 22,161	$ 28,764	$ 9,400	$ -

ROYAL INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

AUGUST 31, 2025

Data Control Codes		289 Federally Funded Special Revenue	410 State Textbook	429 State Funded Special Revenue
	ASSETS			
1110	Cash and cash equivalents	$ -	$ -	$ -
1240	Due from other governments	14,449	63,197	200,741
1290	Other receivables	-	-	-
1410	Prepaid Expenses	-	-	-
1000	Total assets	14,449	63,197	200,741
	LIABILITIES			
2110	Accounts payable	-	-	4,881
2150	Accrued wages payable	-	-	-
2170	Due to other funds	14,449	50,767	195,860
2180	Due to other governments	-	-	-
2000	Total liabilities	14,449	50,767	200,741
	FUND BALANCES			
	Nonspendable:			
	Prepaid items	-	-	-
	Restricted Fund Balance:			
3450	Federal or state funds grant restriction	-	12,430	-
3490	Other restricted fund balance	-	-	-
	Committed Fund Balance:			
3545	Campus Activities	-	-	-
3600	Unassigned Fund Balance	-	-	-
3000	Total fund balances	-	12,430	-
4000	Total liabilities and fund balances	$ 14,449	$ 63,197	$ 200,741

461 Campus Activity	480 Education Fund	499 Locally Funded Grants	Total Nonmajor Governmental
$ 30,259	$ 9,881	$ 25,768	$ 1,453,168
-	-	9,000	808,994
-	-	-	16,325
-	-	-	4,920
30,259	9,881	34,768	2,283,407
-	-	119	13,051
-	-	-	25
-	-	-	771,323
-	9,881	-	38,645
-	9,881	119	823,044
-	-	-	4,920
-	-	-	1,395,455
-	-	34,649	34,649
30,259	-	-	30,259
-	-	-	(4,920)
30,259	-	34,649	1,460,363
$ 30,259	$ 9,881	$ 34,768	$ 2,283,407

ROYAL INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes		211 Title I, Part A-Improving Basic Program	224 IDEA-B Formula	225 IDEA-B Preschool
	REVENUES			
5700	Local and intermediate sources	$ -	$ -	$ -
5800	State program revenues	-	-	-
5900	Federal program revenues	820,529	551,551	14,339
5020	Total revenues	820,529	551,551	14,339
	EXPENDITURES			
	Current:			
0011	Instruction	750,149	226,241	-
0012	Instructional resources and media services	-	-	-
0013	Curriculum and instructional staff development	41,701	2,349	-
0021	Instructional leadership	-	98,228	-
0031	Guidance, counseling, and evaluation services	-	201,987	14,339
0032	Social work services	16,857	-	-
0035	Food service	-	-	-
0036	Extracurricular activities	-	-	-
0041	General administration	-	-	-
0052	Security and Monitoring Services	-	-	-
0061	Community services	11,822	-	-
0093	Payments to fiscal agent/member districts of SSA	-	22,746	-
6030	Total expenditures	820,529	551,551	14,339
1200	**NET CHANGE IN FUND BALANCES**	-	-	-
0100	**FUND BALANCE, BEGINNING**	-	-	-
3000	**FUND BALANCE, ENDING**	$ -	$ -	$ -

240 National Breakfast and Lunch Program	244 Perkins V: Strengthen. CTE for 21st Century	255 Title II, Part A-Supp. Effective Instruction	263 Title III, Part A ELA	270 Title IV, Part B	282 American Rescue Plan ESSER II
$ 133,552	$ -	$ -	$ -	$ -	$ -
8,222	-	-	-	-	-
2,131,497	40,827	104,383	107,286	81,812	310,848
2,273,271	40,827	104,383	107,286	81,812	310,848
-	40,827	3,111	96,050	80,762	6,055
-	-	-	-	-	-
-	-	101,272	11,236	-	20,586
-	-	-	-	-	-
-	-	-	-	1,050	284,207
-	-	-	-	-	-
2,542,294	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,542,294	40,827	104,383	107,286	81,812	310,848
(269,023)	-	-	-	-	-
1,652,048	-	-	-	-	-
$ 1,383,025	$ -	$ -	$ -	$ -	$ -

ROYAL INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes		289 Federally Funded Special Revenue	410 State Textbook	429 State Funded Special Revenue
	REVENUES			
5700	Local and intermediate sources	$ -	$ -	$ -
5800	State program revenues	-	84,812	368,067
5900	Federal program revenues	52,850	-	-
5020	Total revenues	52,850	84,812	368,067
	EXPENDITURES			
	Current:			
0011	Instruction	15,503	84,251	15,341
0012	Instructional resources and media services	-	-	-
0013	Curriculum and instructional staff development	9,800	-	-
0021	Instructional leadership	-	-	-
0031	Guidance, counseling, and evaluation services	20,441	-	-
0032	Social work services	-	-	-
0035	Food service	-	-	-
0036	Extracurricular activities	-	-	-
0041	General administration	-	-	-
0052	Security and Monitoring Services	7,106	-	352,726
0061	Community services	-	-	-
0093	Payments to fiscal agent/member districts of SSA	-	-	-
6030	Total expenditures	52,850	84,251	368,067
1200	**NET CHANGE IN FUND BALANCES**	-	561	-
0100	**FUND BALANCE, BEGINNING**	-	11,869	-
3000	**FUND BALANCE, ENDING**	$ -	$ 12,430	$ -

461 Campus Activity	480 Education Fund	499 Locally Funded Grants	Total Nonmajor Governmental
$ 50,579	$ 97,719	$ 21,500	$ 303,350
-	-	-	461,101
-	-	-	4,215,922
50,579	97,719	21,500	4,980,373
-	67,892	245	1,386,427
-	7,338	-	7,338
-	2,985	9,863	199,792
-	-	-	98,228
-	-	-	522,024
-	-	-	16,857
-	-	-	2,542,294
44,640	19,504	2,500	66,644
-	-	10,141	10,141
-	-	-	359,832
-	-	-	11,822
-	-	-	22,746
44,640	97,719	22,749	5,244,145
5,939	-	(1,249)	(263,772)
24,320	-	35,898	1,724,135
$ 30,259	$ -	$ 34,649	$ 1,460,363

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REQUIRED TEXAS EDUCATION AGENCY SCHEDULES

ROYAL INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECIEVABLE

FISCAL YEAR ENDED AUGUST 31, 2025

Last Ten Years Ended August 31,	1 Tax Rates Maintenance	2 Tax Rates Debt Service	3 Net Assessed/ Appraised Value for School Tax Purpose	10 Beginning Balance 09/01/24
2016 and prior years	various	various	various	$ 666,552
2017	1.170000	0.488817	1,066,145,568	206,445
2018	1.170000	0.358817	1,100,969,227	38,450
2019	1.170000	0.358817	1,193,950,092	42,627
2020	1.068350	0.358817	1,453,800,656	73,625
2021	0.963000	0.358817	1,719,769,241	105,138
2022	0.960300	0.358817	2,123,028,398	184,334
2023	0.942900	0.358817	2,837,791,884	434,038
2024	0.757500	0.358817	3,442,657,686	1,004,700
2025 (School year under audit)	0.755200	0.358817	4,082,357,630	-
1000 Totals				$ 2,755,909

8000 - Taxes Refunded

20	31	32	40	50	99
Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance 08/31/25	Total Taxes Refunded under Section 26.1115 (c)
$ -	$ 18,452	$ 9,278	$ 253,764	$ 892,586	
-	1,880	884	(61)	203,620	
-	2,232	684	(61)	35,473	
-	3,475	1,066	(897)	37,189	
-	14,020	4,709	(1,435)	53,461	
-	17,637	6,572	(1,672)	79,257	
-	34,698	12,965	(340)	136,331	
-	90,886	34,586	(17,236)	291,330	
-	299,612	141,922	(90,809)	472,357	
45,478,158	29,342,717	13,941,559	(724,007)	1,469,875	
$ 45,478,158	$ 29,825,609	$ 14,154,225	$ (582,754)	$ 3,671,479	
					$ 582,234

ROYAL INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL - CHILD NUTRITION PROGRAM

FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP Basis)	Variance With Final Budget Positive or (Negative)
	REVENUES				
5700	Local and intermediate sources	$ 100,700	$ 100,700	$ 133,552	$ 32,852
5800	State program revenues	7,500	7,500	8,222	722
5900	Federal program revenues	2,945,756	2,945,756	2,131,497	(814,259)
5020	Total revenues	3,053,956	3,053,956	2,273,271	(780,685)
	EXPENDITURES				
0035	Food services	2,803,585	3,532,974	2,542,294	990,680
6030	Total expenditures	2,803,585	3,532,974	2,542,294	990,680
1200	**NET CHANGE IN FUND BALANCES**	250,371	(479,018)	(269,023)	209,995
0100	**FUND BALANCE, BEGINNING**	1,652,048	1,652,048	1,652,048	-
3000	**FUND BALANCES, ENDING**	$ 1,902,419	$ 1,173,030	$ 1,383,025	$ 209,995

EXHIBIT J-3

ROYAL INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET TO ACTUAL - DEBT SERVICE FUND

FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP Basis)	Variance With Final Budget Positive or (Negative)
	REVENUES				
5700	Local and intermediate sources	$ 14,657,522	$ 14,657,522	$ 14,838,961	$ 181,439
5800	State program revenues	286,894	286,894	491,087	204,193
5020	Total revenues	14,944,416	14,944,416	15,330,048	385,632
	EXPENDITURES				
	Debt Service:				
0071	Principal on long-term debt	9,610,000	9,610,000	9,610,000	-
0072	Interest on long-term debt	5,297,704	5,297,704	5,411,285	(113,581)
0073	Bond issuance cost and fees	20,000	20,000	11,450	8,550
6030	Total expenditures	14,927,704	14,927,704	15,032,735	(105,031)
1100	**EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES**	16,712	16,712	297,313	280,601
1200	**NET CHANGE IN FUND BALANCES**	16,712	16,712	297,313	280,601
0100	**FUND BALANCE, BEGINNING**	8,263,167	8,263,167	8,263,167	-
3000	**FUND BALANCES, ENDING**	$ 8,279,879	$ 8,279,879	$ 8,560,480	$ 280,601

ROYAL INDEPENDENT SCHOOL DISTRICT

USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAMS

FOR THE YEAR ENDED AUGUST 31, 2025

Section A: Compensatory Education Programs

AP1	Did your district expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the district have written policies and procedures for its state compensatory education program?	Yes
AP3	Total state allotment funds received for state compensatory education programs during the district's fiscal year.	$ 3,105,344
AP4	Actual direct program expenditures for state compensatory education programs during the district's fiscal year. (PICs 24, 26, 28, 29, 30)	$ 1,446,341

Section B: Bilingual Education Programs

AP5	Did your district expend any bilingual education program state allotment funds during the district's fiscal year?	Yes
AP6	Does the district have written policies and procedures for its bilingual education program?	Yes
AP7	Total state allotment funds received for bilingual education programs during the district's fiscal year.	$ 778,453
AP8	Actual direct program expenditures for bilingual education programs during the district's fiscal year. (PICs 25)	$ 540,879

COMPLIANCE SECTION

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PB&H

PATTILLO, BROWN & HILL, L.L.P.
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Waco, Texas 76710
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Royal Independent School District
Pattison, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States (*Government Auditing Standards)*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Royal Independent School District as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise Royal Independent School District's basic financial statements, and have issued our report thereon dated February 9, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Royal Independent School District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Royal Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Royal Independent School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Royal Independent School District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Royal Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

OFFICE LOCATIONS
TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

AICPA
GAQC Member

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Royal Independent School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Royal Independent School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
February 9, 2026

PATTILLO, BROWN & HILL, L.L.P.
401 West State Highway 6
Waco, Texas 76710
254.772.4901 | pbhcpa.com

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Board of Trustees
Royal Independent School District
Royal, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Royal Independent School District's (the "District") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Royal Independent School District's major federal programs for the year ended August 31, 2025. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained *in Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

OFFICE LOCATIONS
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NEW MEXICO | Albuquerque

AICPA
GAQC Member

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
February 9, 2026

ROYAL INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED AUGUST 31, 2025

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	(1) Federal Assistance Listing Number	(2a) Pass-Through Entity Identifying Number	(3) Federal Expenditures
U.S. DEPARTMENT OF DEFENSE			
Direct Program:			
Junior ROTC	12.000	237-905	$ 116,269
Total Direct Program			116,269
TOTAL U.S. DEPARTMENT OF DEFENSE			116,269
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through Texas Education Agency:			
School Breakfast Program	10.553	71402401	102,120
School Breakfast Program	10.553	71402501	446,141
Total Assistance Listing Number 10.553			548,261
National School Lunch Program	10.555	71302401	275,985
National School Lunch Program	10.555	71302501	1,168,286
Subtotal Assistance Listing Number 10.555			1,444,271
Total Passed through the Texas Education Agency			1,992,532
Passed Through the Texas Department of Agriculture:			
National School Lunch Program - Non-Cash Assistance	10.555	NT4XL1YGLGC5	130,761
COVID 19 - Commodity Storage Delivery	10.560	NT4XL1YGLGC5	8,204
Total Passed through the Texas Department of Agriculture			138,965
Total Assistance Listing Number 10.555			1,575,032
Total Child Nutrition Cluster			2,123,293
TOTAL U.S. DEPARTMENT OF AGRICULTURE			2,131,497
U.S. DEPARTMENT OF EDUCATION			
Passed Through the Texas Education Agency:			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	25610101237905	797,068
ESEA, Title I, Part A - Improving Basic Programs	84.010A	246101397110014	23,461
Total Assistance Listing Number 84.010			820,529
IDEA - Part B, Formula	84.027A	256600012379056000	551,551
IDEA - Part B, Preschool	84.173A	256610012379056000	14,339
Total Special Education Cluster (IDEA)			565,890

The accompanying notes are an integral part of this financial statement.

ROYAL INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED AUGUST 31, 2025

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	(1) Federal Assistance Listing Number	(2a) Pass-Through Entity Identifying Number	(3) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION (CONTINUED)			
Passed Through Texas Education Agency (Continued):			
Carl D. Perkins Basic Formula	84.048A	25420006237905	$ 40,827
Title V, Part B, Rural Education	84.358B	25696001237905	81,812
Title III, Part A, English Language Acquisition	84.365A	25671001237905	107,286
Title II, Part A, Teacher & Principal Training	84.367A	25694501237905	104,383
LEP Summer School	84.369A	69552402	5,454
Titlle IV, Part A, SSAE Formula	84.424A	25680101237905	47,396
COVID-19 - Elementary and Secondary School Emergency Relief (ESSER III-ARP)	84.425U	21528001237905	310,848
Total Passed Through the Texas Education Agency			2,084,425
TOTAL U.S. DEPARTMENT OF EDUCATION			2,084,425
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 4,332,191

The accompanying notes are an integral part of this financial statement.

ROYAL INDEPENDENT SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED AUGUST 31, 2025

1. GENERAL

The Schedule of Expenditures of Federal Awards presents the activity of all applicable federal award programs of Royal Independent School District. The District's report entity is defined in Note I of the basic financial statements. Federal awards received directly from federal agencies as well as federal awards passed through other government agencies, are included on the Schedule of Expenditures of Federal Awards.

2. BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

3. PASS-THROUGH EXPENDITURES

None of the federal programs expended by the District were provided to subrecipients.

4. INDIRECT COSTS

The District did not elect to apply the de minimis indirect cost rate.

5. RECONCILIATION OF FEDERAL REVENUES AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal revenues per the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds (Exhibit C-3)	$ 4,411,576
Less:	
School Health And Related Services	(36,837)
ERATE	(42,548)
Federal expenditures per the Schedule of Expenditures of Federal Awards (Exhibit K-1)	$ 4,332,191

ROYAL INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED AUGUST 31, 2025

Summary of Auditor's Results

Financial Statements:	
Type of auditors' report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Material noncompliance material to financial statements noted?	No
Federal Awards:	
Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	None
Identification of major programs:	
Federal Assistance Listing Number(s):	Name of Federal Program or Cluster:
10.553 & 10.555	Child Nutrition Cluster
Dollar threshold used to distinguish between type A and type B programs	$750,000
Auditee qualified as low-risk auditee?	Yes

Findings Relating to the Financial Statements Which are Required to be Reported in Accordance With Generally Accepted Government Auditing Standards

None reported

Findings and Questioned Costs for Federal Awards

None reported

ROYAL INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED AUGUST 31, 2025

None.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

LEON
ALCALA
MORSE &
REYNOLDS

August 25, 2026

Re: Royal Independent School District
Unlimited Tax School Building Bonds, Series 2026A (the "Bonds")

Ladies and Gentlemen:

We have acted as Bond Counsel to the captioned issuer (the "District") in connection with the issuance of the Bonds, which are being issued in the aggregate original principal amount of $153,430,000. The Bonds are authorized by an order adopted by the Board of Trustees of the District on June 15, 2026 and a pricing certificate executed pursuant thereto (collectively, the "Order"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Order.

We have acted as Bond Counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and the excludability of interest on the Bonds from gross income for federal income tax purposes. In such capacity, we have reviewed a transcript of certain certified proceedings pertaining to the issuance of the Bonds, including the Order and the federal tax certificate of the District related to the Bonds (the "Tax Certificate"); certain certifications and representations and other material facts within the knowledge and control of the District, upon which we rely; the provisions of the Internal Revenue Code of 1986, as amended and the regulations, rulings, and judicial decisions relevant to the opinions set forth in paragraph (3) below; and certain other customary documents and instruments authorizing and relating to the issuance of the Bonds. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Order and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Order and the Tax Certificate and their enforceability may be subject to bankruptcy,

insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against issuers in the State of Texas. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. We have not assumed any responsibility with respect to the financial condition or capabilities of the District or the disclosure thereof in connection with the sale of the Bonds. Finally, our role in connection with the District's Official Statement, if any, prepared for use in connection with the sale of the Bonds has been limited as described therein.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

(1) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently in effect. The Bonds constitute valid and legally binding obligations of the District, and the Bonds have been authorized and delivered in accordance with law.

(2) The Bonds are payable, both as to principal and interest, from the receipts of an annual ad valorem tax levied, without legal limit as to rate or amount, upon taxable property located within the District, which taxes have been pledged irrevocably to pay the principal of and interest on the Bonds.

(3) Under existing laws, regulations, rulings, and judicial decisions, interest on the Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax imposed on individuals. We observe that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Respectfully submitted,

Leon, Alcala, Morse & Reynolds, PLLC

APPENDIX D

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

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

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

History and Purpose

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

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

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

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

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

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

Audited financial information for the PSF is provided annually through the PSF Corporation's Annual Comprehensive Financial Report (the "Annual Report"), which is filed with the Municipal Securities Rulemaking Board ("MSRB"). The Texas School Land Board's (the "SLB") land and real assets investment operations, which are part of the PSF as described below, are also included in the annual financial report of the Texas General Land Office (the "GLO") that is included in the

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

Management and Administration of the Fund

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

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

The Texas Constitution provides that the Fund shall be managed through the exercise of the judgment and care under the circumstances then prevailing which persons of ordinary prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation, but in regard to the permanent disposition of their funds, considering the probable income therefrom as well as the probable safety of their capital (the "Prudent Person Standard"). In accordance with the Texas Constitution, the SBOE views the PSF as a perpetual endowment,

and the Fund is managed as an endowment fund with a long-term investment horizon. For a detailed description of the PSFC Board's investment objectives, as well as a description of the PSFC Boards's roles and responsibilities in managing and administering the Fund, see the IPS and Board meeting materials (available on the PSF Corporation's website).

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

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

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

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

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

The Total Return Constitutional Amendment

The Total Return Constitutional Amendment requires that PSF distributions to the ASF be determined using a "total-return-based" approach that provides that the total amount distributed

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

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

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

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

Annual Distributions to the Available School 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	115	-	-
Per Student Distribution	215	212	247	306	347	341	432	440	430	428

[1] In millions of dollars. Source: Annual Report for year ended August 31, 2025.
[2] Reflects the first fiscal year in which distributions were made by the PSF Corporation.
[3] In September 2020, the SBOE approved a special, one-time transfer of $300 million from the portion of the PSF managed by the SBOE to the portion of the PSF managed by the SLB, which amount is to be transferred to the ASF by the SLB in fiscal year 2021. In approving the special transfer, the SBOE determined that the transfer was in the best interest of the PSF due to the historic nature of the public health and economic circumstances resulting from the COVID-19 pandemic and its impact on the school children of Texas.

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

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

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

PSF Corporation Strategic Asset Allocation

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

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

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

Asset Class	Target Allocation	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.

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

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Comparative Investment Schedule – PSF(CORP)

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

ASSET CLASS	August 31, 2025	August 31, 2024	Amount of Increase (Decrease)	Percent Change
EQUITY				
Domestic Small Cap	$3,732.4	$ 3,651.3	$81.1	2.2%
Domestic Large Cap	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	-	-	-	-
US Treasuries	-	-	-	-
Core Bonds	5,464.4	8,151.6	(2,687.2)	-33.0%
Bank Loans	3,908.4	2,564.1	1,344.3	52.4%
High Yield Bonds	1,569.2	2,699.5	(1,130.3)	-41.9%
Emerging Market Debt	-	-	-	-
TOTAL FIXED INCOME	10,942.0	13,415.2	(2,473.2)	-18.4%
ALTERNATIVE INVESTMENTS				
Absolute Return	3,247.4	3,106.0	141.4	4.6%
Real Estate	6,300.8	6,101.0	199.8	3.3%
Private Equity	12,170.5	8,958.8	3,211.7	35.9%
Emerging Manager Program	-	-	-	-
Real Return	-	-	-	-
Private Credit	3,884.3	2,257.9	1,626.4	72.0%
Real Assets	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

Investment Type	As of 8-31-25	
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, 41 of such campuses are not currently serving students for various reasons; therefore, there are 986 charter school campuses actively serving students in Texas. Section 12.101, Texas Education Code, limits the number of charters that the Education Commissioner may grant to a total number of 305 charters. While legislation limits the number of charters that may be granted, it does not limit the number of campuses that may operate under a particular charter. For information regarding the capacity of the Guarantee Program, see "Capacity Limits for the Guarantee Program." The Act provides that the Education Commissioner may not approve the guarantee of refunding or refinanced bonds under the Charter District Bond Guarantee Program in a total amount that exceeds one-half of the total amount available for the guarantee of charter district bonds under the Charter District Bond Guarantee Program.

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

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

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

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

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

CDBGP Rules. Such financial investigation must establish that an applying charter district has a historical debt service coverage ratio, based on annual debt service, of at least 1.1 for the most recently completed fiscal year, and a projected debt service coverage ratio, based on projected revenues and expenses and maximum annual debt service, of at least 1.2. The failure of an open-enrollment charter holder to comply with the Act or the applicable regulations, including by making any material misrepresentations in the charter holder's application for charter district designation or guarantee under the Charter District Bond Guarantee Program, constitutes a material violation of the open-enrollment charter holder's charter.

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

Capacity Limits for the Guarantee Program

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

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

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

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

Valuation of the PSF and Guaranteed Bonds

Permanent School Fund Valuations

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

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

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

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

Permanent School Fund Guaranteed Bonds

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.

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	3,433	125,815,981,603
2025[(2)]	3,444	138,140,381,098	113	5,800,574,000	3,557	143,940,955,098

[(1)] Represents original principal amount; does not reflect any subsequent accretions in value for compound interest bonds (zero coupon securities). The amount shown excludes bonds that have been refunded and released from the Guarantee Program.
[(2)] At December 31, 2025 (based on unaudited data, which is subject to adjustment), there were $143,822,038,077 in principal amount of bonds guaranteed under the Guarantee Program, representing 3,456 school district issues, aggregating $137,938,824,077 in principal amount and 114 charter district issues, aggregating $5,883,214,000 in principal amount. At December 31, 2025 the projected guarantee capacity available was $32,174,623,697 (based on unaudited data, which is subject to adjustment).

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

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

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

Effective February 1, 2024, Texas PSF transitioned into a new strategic asset allocation. The new allocation of the PSF Corporation updated the strategic asset allocation among public equities, fixed income, and alternative assets, as discussed herein. Alternative assets now include private 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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* *The Private Credit asset class was renamed Private Debt, beginning in October 2024.*

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, 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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