NEW ISSUE: **BOOK-ENTRY-ONLY**

Ratings: S&P: "Applied For"
PSF Guarantee: "Conditionally Approved"
(See "RATINGS" and
"THE PERMANENT SCHOOL
FUND GUARANTEE PROGRAM")

PRELIMINARY OFFICIAL STATEMENT
July 31, 2026

In the opinion of Bond Counsel, interest on the Bonds (defined below) will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on certain corporations.

$23,875,000*
TYLER INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Smith County, Texas)
UNLIMITED TAX REFUNDING BONDS, SERIES 2026

Dated Date: August 1, 2026 (Interest will accrue from the Delivery Date (defined below)) **Due: February 15, as shown on page ii**

The Tyler Independent School District (the "District") is issuing its $23,875,000* Unlimited Tax Refunding Bonds, Series 2026 (the "Bonds") in accordance with the Constitution and general laws of the State of Texas, including Chapters 1207 and 1371 of the Texas Government Code, as amended, (the "Acts") and a bond order (the "Bond Order") adopted by the Board of Trustees (the "Board") of the District on June 15, 2026. As permitted by the Acts, in the Bond Order, t the Board delegated to certain District officials (each, an "Authorized Official") the authority to execute an approval certificate (the "Approval Certificate") evidencing the final sales terms of the Bonds. The Bond Order and the Approval Certificate are collectively referred to herein as the "Order". The Bonds constitute direct obligations of the District and are payable as to principal and interest from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, against all taxable property located within the District. (See "AD VALOREM PROPERTY TAXATION" and "TAX RATE LIMITATIONS" herein.)

Interest on the Bonds will accrue from the Delivery Date (defined below) and will be payable commencing on February 15, 2027, and on each August 15 and February 15 thereafter, until stated maturity or prior redemption. Bonds will be issued in principal denominations of $5,000 or any integral multiple thereof within a maturity. Interest accruing on the Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months. (See "THE BONDS – General Description.")

The District intends to utilize the Book-Entry-Only System of The Depository Trust Company ("DTC"), but reserves the right on its behalf or on behalf of DTC to discontinue such system. The principal of, premium, if any, and interest on the Bonds will be payable to Cede & Co., as nominee for DTC, by U.S. Bank Trust Company, National Association, Dallas, Texas, as the initial Paying Agent/Registrar (the "Paying Agent/Registrar") for the Bonds. No physical delivery of the Bonds will be made to the owners thereof. Such Book-Entry-Only System will affect the method and timing of payment and the method of transfer. (See "BOOK-ENTRY-ONLY SYSTEM").

The District has submitted an application and 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 will automatically become effective when the Attorney General of Texas approves the Bonds. (See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").

Proceeds from the sale of the Bonds will be used to (i) refund certain outstanding obligations of the District (the "Refunded Bonds") (see "SCHEDULE I – Schedule of Refunded Bonds") for debt service savings and (ii) pay costs of issuing the Bonds. (See "THE BONDS – Authorization and Purpose").

The Bonds will not be subject to optional redemption prior to stated maturity.

MATURITY SCHEDULE ON PAGE ii

The Bonds are offered when, as and if issued, and accepted by the initial purchasers thereof named below (the "Underwriters"), subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by Cantu Harden Montoya LLP, San Antonio, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, McCall, Parkhurst & Horton L.L.P., San Antonio, Texas. The Bonds are expected to be available for initial delivery through the services of DTC on or about August 27, 2026 (the "Delivery Date").

FHN FINANCIAL CAPITAL MARKETS **BOK FINANCIAL SECURITIES, INC.**

*Preliminary, subject to change.

MATURITY SCHEDULE

$23,875,000*
UNLIMITED TAX REFUNDING BONDS,
SERIES 2026

Base CUSIP No: 902273[(1)]

Maturity Date (2/15)	Principal Amount*	Interest Rate	Initial Yield[(2)]	CUSIP Suffix No. [(1)]
2027	$2,035,000			
****	********			
2029	4,970,000			
****	********			
2031	4,730,000			
2032	5,040,000			
2033	3,580,000			
2034	3,520,000			

(Interest to accrue from the Delivery Date)

REDEMPTION …. The Bonds will not be subject to optional redemption prior to stated maturity.

* Preliminary, subject to change.
(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of The American Bankers Association and are included solely for the convenience of owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. None of the District, the Municipal Advisor, or the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.
(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.

TYLER INDEPENDENT SCHOOL DISTRICT

ELECTED OFFICIALS

Name	Position	Service Since	Term Expires
Yvonne Atkins President	District 3	2020	2028
Lindsey Harrison Vice President	District 6	2021	2028
Eleno Licea Trustee	District 1	2025	2028
Stephen Hubbard Trustee	District 2	2026	2029
Dr. Kendra Bircher Trustee	District 4	2026	2029
Aaron D. Martinez Trustee	District 5	2015	2027
Andy Bergfeld Trustee	District 7	2012	2027

CERTAIN DISTRICT OFFICIALS

Dr. Marty Crawford	Superintendent
Kasey Russell	Chief Financial Officer
Tosha Bjork	Comptroller
Gina Orr	Secretary to the Board

CONSULTANTS AND ADVISORS

Certified Public Accountants	Pattillo, Brown & Hill, L.L.P. Waco, Texas
Bond Counsel	Cantu Harden Montoya LLP San Antonio, Texas
Financial Advisor	RBC Capital Markets, LLC San Antonio, Texas

For additional information regarding the District, please contact:

Ms. Kasey Russell
Chief Financial Officer
Tyler Independent School District
1319 Earl Campbell Parkway
Tyler, Texas 75701
(903) 262-1095
kasey.russell@tylerisd.org

Mr. R. Dustin Traylor
RBC Capital Markets, LLC
303 Pearl Parkway
Suite 220
San Antonio, Texas 78215
(210) 805-1117
robert.d.traylor@rbccm.com

USE OF INFORMATION IN OFFICIAL STATEMENT

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

This Official Statement, which includes the cover page, Schedule I, and Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the District, the Municipal Advisor or the Underwriters.

This Official Statement contains, in part, estimates and matters of opinion and certain forward-looking statements which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

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

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

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

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

None of the District, the 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 ("DTC") or its Book Entry Only System or the affairs of the TEA described under "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 Order and other documents described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Bonds is to be construed as constituting an agreement with the purchasers of the Bonds. INVESTORS SHOULD READ THIS ENTIRE OFFICIAL STATEMENT, INCLUDING SCHEDULE I AND ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

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

TABLE OF CONTENTS

The cover page hereof, the section entitled "Selected Data from the Official Statement," this Table of Contents, Schedule I, and the Appendices attached hereto are part of this Official Statement.

SELECTED DATA FROM THE OFFICIAL STATEMENT

The selected data 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 page from this Official Statement or to otherwise use it without the entire Official Statement.

The District	The District is a political subdivision of the State of Texas (the "State") located in Smith County. The District is approximately 209 square miles in area. (See "APPENDIX B – General Information Regarding the District and its Economy" herein.)
Authority for Issuance and Use of Proceeds	The District's $23,875,000* Unlimited Tax Refunding Bonds, Series 2026 (the "Bonds") in accordance with the Constitution and general laws of the State of Texas, including Chapters 1207 and 1371 of the Texas Government Code, as amended, (the "Acts") and a bond order (the "Bond Order") adopted by the Board of Trustees (the "Board") of the District on June 15, 2026. As permitted by the Acts, in the Bond Order, t the Board delegated to certain District officials (each, an "Authorized Official") the authority to execute an approval certificate (the "Approval Certificate") evidencing the final sales terms of the Bonds. The Bond Order and the Approval Certificate are collectively referred to herein as the "Order". Proceeds from the sale of the Bonds will be used to (i) refund certain outstanding obligations of the District (the "Refunded Bonds") (see "SCHEDULE I – Schedule of Refunded Bonds") for debt service savings and (ii) pay costs of issuing the Bonds. (See "THE BONDS – Authorization and Purpose").
Payment of Interest	Interest on the Bonds will accrue from the Delivery Date and will be payable on February 15 and August 15 each year, commencing February 15, 2027, until stated maturity or prior redemption. (See "THE BONDS – General Description.")
Paying Agent/Registrar	The initial Paying Agent/Registrar for the Bonds is U.S. Bank Trust Company, National Association, Dallas, Texas (see "REGISTRATION, TRANSFER AND EXCHANGE – Paying Agent/Registrar" herein). Initially, the District intends to use the Book-Entry-Only System of The Depository Trust Company. (See "BOOK-ENTRY-ONLY SYSTEM").
Security	The Bonds will constitute direct obligations of the District payable as to principal and interest from a continuing and direct ad valorem tax levied by the District against all taxable property located within the District, without legal limitation as to rate or amount. (See "THE BONDS – Security.") Also see "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" for a discussion of recent developments in State law affecting the financing of school districts in Texas.
Permanent School Fund Guarantee Program	In connection with the sale of the Bonds, the District has made application to the Texas Education Agency and has received conditional approval from the Commissioner of Education for the Bonds to be guaranteed by the corpus of the Permanent School Fund of the State of Texas under the Guarantee Program for School District Bonds (Chapter 45, Subchapter C, of the Texas Education Code, as amended). (See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").
Redemption Provisions	The Bonds are not subject to optional redemption prior to stated maturity.
Ratings	It is anticipated that the Bonds will be rated "AAA" by S&P Global Ratings ("S&P"), by virtue of the guarantee of the Permanent School Fund of the State of Texas. S&P generally rates all bond issues guaranteed by the Permanent School Fund of the State of Texas "AAA". (See "RATINGS" and "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM.") The presently outstanding unenhanced tax supported debt of the District, including the Bonds, is rated "AA" by S&P.
Tax Status	In the opinion of Bond Counsel, interest on the Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations, published rulings and court decisions, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on certain corporations. See "TAX MATTERS" for a discussion of the opinion of Bond Counsel.

*Preliminary, subject to change.

Book-Entry-Only System	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 in principal amount or integral multiples thereof. No physical delivery of the Bonds will be made to the purchasers thereof (the "Beneficial Owners"). The principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM.")
Payment Record	The District has never defaulted on the payment of its bonded indebtedness.
Legal Opinions	Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the approval of certain legal matters by Cantu Harden Montoya LLP, San Antonio, Texas, Bond Counsel. (See "LEGAL MATTERS" and "Form of Legal Opinion of Bond Counsel" attached hereto as Appendix D).
Delivery	When issued, anticipated on or about August 27, 2026.

PRELIMINARY OFFICIAL STATEMENT RELATING TO

$23,875,000*
TYLER INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Smith County)
UNLIMITED TAX REFUNDING BONDS, SERIES 2026

INTRODUCTORY STATEMENT

This Official Statement, including Schedule I and Appendices A, B and C hereto, has been prepared by the Tyler Independent School District (the "District") located in Smith County, Texas in connection with the offering by the District of its Unlimited Tax Refunding Bonds, Series 2026 (the "Bonds") identified on the inside cover page hereof.

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 "FORWARD LOOKING STATEMENTS.")

There follows in this Official Statement descriptions of the Bonds and the Order (as defined herein), 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 by electronic mail or upon payment of reasonable copying, mailing, and handling charges by writing the Tyler Independent School District, 1319 Earl Campbell Parkway, Tyler, Texas 75701, and, during the offering period, from the District's Municipal Advisor, RBC Capital Markets, LLC, 303 Pearl Parkway, Suite 220, San Antonio, Texas 78215, by electronic mail or upon payment of reasonable handling, mailing and delivery charges.

This Official Statement speaks only as of its date and the information contained herein is subject to change. A copy of the Official Statement will be deposited with the Municipal Securities Rulemaking Board, through its Electronic Municipal Market Access ("EMMA") system. See "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM - PSF Continuing Disclosure Undertaking" and "CONTINUING DISCLOSURE INFORMATION" for a description of the undertakings of the Texas Education Agency (the "TEA") and the District, respectively, to provide certain information on a continuing basis.

THE BONDS

Authorization and Purpose

The Bonds are being issued in accordance with the Constitution and general laws of the State of Texas, including Chapters 1207 and 1371 of the Texas Government Code, as amended, (the "Acts") and a bond order (the "Bond Order") adopted by the Board of Trustees (the "Board") of the District on June 15, 2026. As permitted by the Acts, in the Bond Order, t the Board delegated to certain District officials (each, an "Authorized Official") the authority to execute an approval certificate (the "Approval Certificate") evidencing the final sales terms of the Bonds. The Bond Order and the Approval Certificate are collectively referred to herein as the "Order".

Proceeds from the sale of the Bonds will be used to (i) refund certain outstanding obligations of the District (the "Refunded Bonds") (see "SCHEDULE I – Schedule of Refunded Bonds") for debt service savings and (ii) pay costs of issuing the Bonds.

Refunded Bonds

The Refunded Bonds, and interest due thereon, are to be paid on the scheduled redemption date from funds to be deposited with U.S. Bank Trust Company, National Association, Dallas, Texas (the "Escrow Agent") pursuant to an escrow agreement (the "Escrow Agreement") between the District and the Escrow Agent.

The Order provides that the District will deposit certain proceeds of the sale of the Bonds along with other lawfully available funds of the District, if any, with the Escrow Agent in the amount necessary and sufficient to accomplish the discharge and final payment of the Refunded Bonds at their scheduled date of early redemption (the "Redemption Date"). Such funds will be held by the Escrow Agent in an escrow fund (the "Escrow Fund") irrevocably pledged to the payment of principal of and interest on the Refunded Bonds and will be used to purchase (i) obligations of the United States of America and/or (ii) obligations of agencies or instrumentalities of the United States of America, including obligations that are unconditionally guaranteed by such agency or instrumentality, that are noncallable and that were, on the date the Order was adopted, rated as to investment quality by a nationally recognized rating firm not less than "AAA" (collectively, the "Federal Securities"). Such maturing principal of and interest on the Federal Securities will be available to pay the debt service requirements on the Refunded Bonds but not the Bonds.

* Preliminary, subject to change.

Prior to or simultaneously with the issuance of the Bonds, the District will give irrevocable instructions to provide notice to the owners of the Refunded Bonds that the Refunded Bonds will be redeemed prior to stated maturity on the Redemption Date, on which date money will be made available to redeem the Refunded Bonds from money held under the Escrow Agreement.

The issuance of the Bonds will be subject to delivery by Robert Thomas CPA, LLC, certified public accountants (the "Verification Agent"), of a report (the "Report") verifying at the time of delivery of the Bonds to the Underwriters the mathematical accuracy of certain computations. The Verification Agent will verify from the information provided to them the mathematical accuracy as of the date of the closing on the Bonds of the computations contained in the provided schedules to determine that the anticipated receipts from the Federal Securities and cash deposits listed in the schedules provided by RBC Capital Markets, LLC, as municipal advisor to the District, to be held in escrow, will be sufficient to pay, when due, the principal and interest requirements of the Refunded Bonds. The Verification Agent will express no opinion on the assumptions provided to them. See "VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS" herein.

By the deposit of the Federal Securities and cash, if any, with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the legal defeasance of the Refunded Bonds, pursuant to Chapter 1207, and the orders authorizing the issuance of the Refunded Bonds. It is the opinion of Bond Counsel that, as a result of such defeasance, and in reliance upon the Report of the Verification Agent, the Refunded Bonds will no longer be payable from ad valorem taxes and other sources of security, if any, but will be payable solely from the principal of and interest on the Federal Securities and cash, if any, on deposit in the Escrow Fund and held for such purpose by the Escrow Agent, and that the Refunded Bonds will be defeased and are not to be included in or considered to be indebtedness of the District for the purpose of a limitation of indebtedness or for any other purpose. See "APPENDIX D – Form of Legal Opinion of Bond Counsel" herein.

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

General Description

The Bonds are to mature on the dates and in the principal amounts shown on page ii hereof. The Bonds will be issued as fully registered obligations in principal denominations of $5,000 or any integral multiple thereof within a stated maturity. Interest on the Bonds will accrue from the date of their delivery (the "Delivery Date") at the interest rates shown on page ii hereof and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Bonds will be payable on February 15, 2027 and on August 15 and February 15 of each year thereafter, until stated maturity or prior redemption.

Initially, the Bonds will be registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC"), New York, New York, pursuant to the Book-Entry-Only System described below. No physical delivery of the Bonds will be made to the Beneficial Owners. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will distribute the amounts paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" below for a more complete description of such system.

In the event the Bonds are no longer in the Book-Entry-Only System, interest on the Bonds shall be payable to the registered owner whose name appears on the bond registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined) and such accrued interest will be paid by (i) check sent by United States mail, first class, postage prepaid, to the address of the registered owner appearing on such registration books of the Paying Agent/Registrar or (ii) such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner (see "REGISTRATION, TRANSFER AND EXCHANGE" herein). The principal of the Bonds payable at maturity or prior redemption shall be paid only upon presentation of such Bonds at the designated office of the Paying Agent/Registrar upon maturity.

Redemption Provisions

The Bonds are not subject to optional redemption prior to stated maturity.

Security

The Bonds are direct obligations of the District and are payable as to principal and interest from a direct and continuing ad valorem tax levied annually on all taxable property within the District, without legal limitation as to rate or amount, as provided in the Order. Additionally, the District has made application and has received conditional approval for the payment of the Bonds to be guaranteed by the corpus of the Permanent School Fund of State of Texas. (See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS", "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" and "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").

Permanent School Fund Guarantee

In connection with the sale of the Bonds, the District has submitted an application to the Texas Education Agency and has received conditional approval from the Commissioner of Education for the Bonds to be guaranteed under the Permanent School Fund Guarantee Program (Chapter 45, Subchapter C of the Texas Education Code). Subject to satisfying certain conditions discussed under the heading "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein, the Bonds will be absolutely and unconditionally guaranteed by the corpus of the Permanent School Fund of the State of Texas.

Legality

The Bonds are offered when, as and if issued, and subject to the approving opinion of the Attorney General of the State of Texas and the opinion of Cantu Harden Montoya LLP, San Antonio, Texas, Bond Counsel. (See "LEGAL MATTERS" and "Appendix D – Form of Legal Opinion of Bond Counsel").

Payment Record

The District has never defaulted with respect to the payment of its bonded indebtedness.

Defeasance of Bonds

The Order provides that the Bonds may be defeased, refunded or discharged in any manner permitted by applicable law. The Order does not contractually limit defeasance investments to those described above. As a result, the holders of the Bonds will be deemed to have consented to other defeasance investments in the event that Texas law is changed to allow for such other defeasance investments. Notwithstanding the above, the District may contractually limit defeasance investments in connection with the pricing of the Bonds. In such event, the final Official Statement for the Bonds will provide details regarding the limitations on defeasance investments.

Defeasance will cancel the Permanent School Fund Guarantee with respect to those defeased Bonds.

Amendments

In the Order, the District has reserved the right, without the consent of or notice to any Beneficial Owners, from time to time and at any time, to amend the Order in any manner not detrimental to the interests of the Owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein.

In addition, the District may, with the consent of Beneficial Owners who own a majority of the aggregate principal amount of the Bonds then Outstanding affected thereby, amend, add to, or rescind any of the provisions of the Order; provided that, without the consent of all Beneficial Owners of Bonds affected, no such amendment, addition, or rescission shall (i) extend the time or times of payment of the principal of, premium, if any, and interest on the Bonds, reduce the principal amount thereof, the redemption price, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Bonds, (ii) give any preference to any Bond over any other Bond, or (iii) reduce the aggregate principal amount of Bonds required to be held by Beneficial Owners for consent to any such amendment, addition, or rescission.

Sources and Uses of Funds

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

Sources:	
Principal Amount of the Bonds	$
[Net] Reoffering Premium/Discount on the Bonds	
Total Source of Funds	**$**
Uses:	
Deposit to the Escrow Fund	$
Costs of Issuance and Underwriters' Discount	
Total Uses of Funds	**$**

REGISTERED OWNERS' REMEDIES

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or the State fails to honor the Permanent School Fund Guarantee as hereinafter discussed, or the District 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 the District or District officials to carry out the legally imposed duties with respect to the Bonds if there is no other available remedy at law to compel performance of the Bonds or the Order and the District's obligations are not uncertain or disputed, as well as to enforce the rights of payment under the Permanent School Fund Guarantee. The issuance of a writ of mandamus is controlled by equitable principles, so 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. Chapter 1371, which pertains to the issuance of public securities by issuers such as the District, permits the District to waive sovereign immunity in the proceedings authorizing the issuance of the Bonds. Notwithstanding its reliance upon the provisions of Chapter 1371 in connection with the issuance of the Bonds (as further described under the caption "THE BONDS – Authorization and Purpose"), the District has not waived the defense of sovereign immunity with respect thereto. Because it is unclear whether the Texas Legislature has effectively waived the District's sovereign immunity from a suit for money damages beyond Chapter 1371, bondholders may not be able to bring such a suit against the District for breach of the Bonds or Order covenants in the absence of District action. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. See "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein for a description of the procedure to be followed for the payment of the Bonds by the Permanent School Fund in the event the District fails to make payment on the Bonds when due. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors and by general principles of equity which permit the exercise of judicial discretion.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC, while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District, 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 cannot and does 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.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered Bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each stated maturity of the Bonds, 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 an S&P Global Ratings rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and 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 the Bonds ("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 relating to the Bonds 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 (hereinafter defined). The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or 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. Payment of interest and principal to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is 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 securities 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, the Bonds 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, the Municipal Advisor and the Underwriters believe to be reliable, but the District, the Municipal Advisor and the Underwriters take no responsibility for the accuracy thereof.

So long as Cede & Co. is the registered owner of the Bonds, the District will have no obligation or responsibility to the DTC, Participants or Indirect Participants, or the persons for which they act as nominees, with respect to payment to or providing of notice to such Participants, or the persons for which they act as nominees.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered in accordance with the Order and will be subject to transfer, exchange, and registration described under the section "REGISTRATION, TRANSFER AND EXCHANGE".

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 Book-Entry-Only form, 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, payment or notices that are to be given to registered owners under the Order will be given only to DTC.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

U.S. Bank Trust Company, National Association, Dallas, Texas, has been named to serve as initial Paying Agent/Registrar for the Bonds. In the Order, the District retains the right to replace the Paying Agent/Registrar. If the District replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the District shall be a commercial bank; a trust company organized under the applicable law; or other entity duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Future Registration

In the event the Book-Entry-Only System is discontinued, printed Bond certificates will be delivered to the Beneficial Owners of the Bonds and thereafter the Bonds may be transferred, registered and assigned on the registration books 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. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bond 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. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner in not more than three (3) business days 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 its 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 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 the ownership and transferability of the Bonds.

Record Date For Interest Payment

The record date ("Record Date") for determining the party to whom the interest on a Bond is payable on any interest payment date for the Bonds means the close of business on the last business day of the month next preceding such interest payment date. In the event of a nonpayment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date" which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each Registered Owner of a

Bond appearing on the books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Limitation on Transfer of Bonds

Neither the District nor the Paying Agent/Registrar are required (1) 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 (2) to transfer or exchange any Bonds so selected for redemption when such redemption is scheduled to occur within 45 calendar days; provided however, that such limitation of transfer is not applicable to an exchange by the registered owner of the uncalled balance of a Bond.

Replacement Bonds

If any Bond is mutilated, destroyed, stolen or lost, a new Bond in the same principal amount as the Bond so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Bond, such new Bond will be delivered only upon surrender and cancellation of such mutilated Bond. In the case of any Bond issued in lieu of and in substitution for a Bond which has been destroyed, stolen or lost, such new Bond will be delivered only (a) upon filing with the District and the Paying Agent/Registrar of satisfactory evidence to the effect that such Bond has been destroyed, stolen or lost and proof of the ownership thereof, and (b) upon furnishing the District and the Paying Agent/Registrar with indemnity satisfactory to them. The person requesting the authentication and delivery of a new Bond must pay taxes, governmental charges and other expenses as the Paying Agent/Registrar may incur in connection therewith.

AD VALOREM PROPERTY TAXATION

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

Valuation of Taxable Property

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

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

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

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

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

State Mandated Homestead Exemptions

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

Pursuant to voter approval at a Statewide election held on November 4, 2025, legislation passed by both houses of the Legislature during the 89th Regular Session increases: (1) the State mandated general homestead exemption from $100,000 to $140,000, and (2) the additional exemption on the residence homesteads of those at least sixty-five (65) years of age or disabled from $10,000 to $60,000.

Local Option Homestead Exemptions

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

Cities, counties and school districts are prohibited from repealing or reducing an optional homestead exemption 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 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.

Voters approved at a Statewide election held on November 4, 2025, legislation passed by the Legislature and signed by the Governor during the 89th Regular Session to provide a person to an exemption from taxation by a taxing unit of $125,000 of the appraised value of tangible personal property the person owns that is held or used for the production of income and has taxable situs at the same location in the taxing unit. A person who leases tangible personal property is also entitled to a tax exemption of $125,000, regardless of where the property is located in the taxing unit. The increased exemption became effective January 1, 2026.

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 State taxation.

Temporary Exemption for Qualified Property Damaged by a Disaster

The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the Governor to be a disaster area following a disaster and is at least 15 percent physically damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. For tax years beginning prior to January 1, 2022, 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. For tax years beginning on or after January 1, 2022, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the governor declares the area to be a disaster area. The Texas Legislature recently amended Section 11.35, Tax Code to clarify that "damage" for purposes of such statute is limited to "physical damage." For more information on the exemption, reference is made to Section 11.35 of the Tax Code, as amended.

Tax Increment Reinvestment Zones

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

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

Tax Limitation Agreements

The Texas Economic Development Act (Chapter 313, Texas Tax Code, as amended), allowed school districts to grant limitations on appraised property values to certain corporations and limited liability companies to encourage economic development within the school district. Generally, during the last eight (8) years of the ten-year term of a tax limitation agreement, a school district could only levy and collect M&O taxes on the agreed-to limited appraised property value. For the purposes of calculating its Tier One and Tier Two entitlements, the portion of a school district's property that is not fully taxable is excluded from the school district's taxable property values. Therefore, a school district was not subject to a reduction in Tier One or Tier Two State funds as a result of lost M&O tax revenues due to entering into a tax limitation agreement (see "CURRENT PUBLIC SCHOOL FINANCE

SYSTEM – State Funding for School Districts"). The 87th Texas Legislature did not take action to extend this program, which expired by its terms effective December 31, 2022.

Tax Abatement Agreements

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

During the 88th Regular Session, 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, Texas Tax Code, but it contains significantly different provisions than the prior program under Chapter 313, Texas Tax Code. 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 services taxes securing the Obligations cannot be abated under Chapter 403. Eligible projects must relate to manufacturing, provision of utility services, dispatchable electric generation (such as non-renewable energy), development of natural resources, critical infrastructure, or research and development for high-tech equipment or technology, and projects must create and maintain jobs and meet certain minimum investment requirements.

District and Taxpayer Remedies

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

Owners of certain property (being (i) commercial real and personal property, (ii) real and personal property of utilities, (iii) industrial and manufacturing real and personal property, and (iv) multifamily residential real property) with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at $62,883,169 for the 2026 tax year and is adjusted annually by the State Comptroller to reflect the inflation rate.

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

Levy and Collection of Taxes

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

District's Rights in the Event of Tax Delinquencies

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

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

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

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

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

Litigation Relating to the Texas Public School Finance System

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

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

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

Current Litigation Relating to the Texas Public School Finance System

On July 22, 2026, Midland Independent School District filed a suit in a district court of Travis County, Texas, styled *Midland Independent School District, et al. v. Mike Morath, Commissioner of Education, et al.* (Cause No. TBD), against Mike Morath, in his official capacity as Commissioner of Education, and the State of Texas ("*Morath II*"). The suit is an original action for declaratory judgment and challenges the constitutionality of the Finance System.

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

Possible Effects of Changes in Law on District Bonds

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

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

Overview

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

Local funding for school districts is derived from collections of ad valorem taxes levied on property located within each school district's boundaries. School districts are authorized to levy two types of property taxes: (i) a maintenance and operations ("M&O") tax to pay current expenses and (ii) an interest and sinking fund ("I&S") tax to pay debt service on bonds. School districts are prohibited from levying an M&O tax rate for the purpose of creating a surplus in M&O tax revenues to pay the district's debt service. School districts are required 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 subject to wide variation; however, the public school finance funding formulas are designed to generally equalize local funding generated by a school district's M&O tax rate.

2025 Legislative Session

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

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

The District is still in the process of reviewing legislation passed during the 2025 Legislative Sessions. At this time, the District cannot make any representations as to the full impact of such legislation. Further, the District can make no representations or predictions regarding the scope of legislation that may be considered in any special session or the potential impact of such legislation at this time, but it intends to monitor applicable legislation related thereto.

Local Funding for School Districts

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

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

Maximum Compressed Tax Rate. The Maximum Compressed Tax Rate (the "MCR") is the tax rate per $100 of valuation of taxable property at which a school district must levy its Tier One Tax Rate to receive the full amount of the Tier One funding to which the school district is entitled. The MCR is equal to the lesser of two alternative calculations: (1) the "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 maximum MCR, establishing $0.6322 as the maximum rate and $0.5689 as the floor; provided, however, that MCRs for such year may be adjusted as set forth in the next two paragraphs.

In calculating and making available school districts' MCRs for the 2025-2026 school year, the TEA shall calculate and make available the rates as if the increase in the residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, as proposed by the 89th Legislature, Regular Session, 2025, took effect. Such calculation for the 2025-2026 school year expires September 1, 2026. Voters approved at a Statewide election held on November 4, 2025 to increase the residential homestead exemption under Section 1-b(c), Article VIII, Texas Constitution from$100,000 to $140,000, and to increase the additional exemption on the residence homesteads of those at least sixty-five (65) years of age or disabled from $10,000 to $60,000. The approved constitutional amendment took effect for the tax year beginning January 1, 2025.

If the increase in the residence homestead as proposed by the constitutional amendment does not take effect, beginning on September 1, 2025, and up until September 1, 2029, the Commissioner may adjust school districts' MCRs for the 2025-2026 school year accordingly. Before making an adjustment, the Commissioner shall notify and must receive approval from the Legislative Budget Board and the office of the Governor.

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

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

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

State Funding for School Districts

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

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

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

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

Tier One. Tier One funding is the basic level of funding guaranteed to a school district, consisting of a State-appropriated baseline level of funding (the “Basic Allotment”) for each student in “Average Daily Attendance” (being generally calculated as the sum of student attendance 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 and demographics of students in ADA, to make up most of a school district’s Tier One entitlement under the Foundation School Program.

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

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

Tier Two. Tier Two supplements Tier One funding and provides two levels of enrichment with different guaranteed yields (i.e., Golden Pennies and Copper Pennies) depending on the school district's Enrichment Tax Rate. Golden Pennies generate a guaranteed yield equal to the Basic Allotment multiplied by 0.0284. 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 of $49.72 per student in WADA for each Copper Penny levied.

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

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

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

A school district may also qualify for a NIFA allotment, which provides assistance to school districts for operational expenses associated with opening new instructional facilities or a renovated portion of an instructional facility to be used for the first time to provide high-cost and undersubscribed career and technology education programs, as determined by the Commissioner. During the 2025 Legislative Session, the Legislature appropriated funds in the amount of $150,000,000 for each fiscal year of the 2026-2027 State fiscal biennium for NIFA allotments.

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

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

Local Revenue Level in Excess of Entitlement

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

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

Options for Local Revenue Levels in Excess of Entitlement. Under Chapter 49, a school district has six (6) options to reduce local revenues to a level that does not exceed the school district's respective entitlements: (1) a school district may consolidate by agreement with one or more school districts to form a consolidated school district; all property and debt of the consolidating school districts vest in the consolidated school district; (2) a school district may detach property from its territory for annexation by a property-poor school district; (3) a school district may purchase attendance credits from the State; (4) a school district may contract to educate nonresident students from a property-poor school district by sending money directly to one or more property-poor school districts; (5) a school district may execute an agreement to provide students of one or more other school districts with career and technology education through a program designated as an area program for career and technology education; or (6) a school district may consolidate by agreement with one or more school districts to form a consolidated taxing school district solely to levy and distribute either M&O taxes or both M&O taxes and I&S taxes. A Chapter 49 school district may also exercise any combination of these remedies. Options (3), (4) and (6) require prior approval by the Chapter 49 school district's voters. A district that enters into an agreement to exercise an option to reduce the district's local revenue level in excess of entitlement under options (3), (4), or (5) for the 2025-2026 school year and that has not previously held an election to exercise said options may request and may receive approval from the Commissioner to delay the date of the election otherwise required to be ordered before September 1. The Commissioner shall set a date by which each district that receives approval to delay an election must order the election and requires the Commissioner, not later than the 2026-2027 school year, to order detachment and annexation of district property or consolidation as necessary to reduce the district's excess local revenue to the level established by law for a district that receives approval to delay an election and subsequently fails to hold the election or does not receive voter approval at the election. A district that receives approval of a request to delay the date of an election shall pay for credit purchased in equal monthly payments as determined by the Commissioner beginning March 15, 2026, and ending August 15, 2026. Alternatively, the district may pay for credit purchased with one lump sum payment made not later than August 15, 2026, provided that the district notifies the Commissioner of the district's election to pay through a lump sum not later than March 15, 2026.

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT

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

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

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

TAX RATE LIMITATIONS

M&O Tax Rate Limitations

The District is authorized to levy an M&O tax rate pursuant to the approval of the voters of the District at an election held on December 8, 1956 in accordance with the provisions of Article 2784e-1, Texas Revised Civil Statutes Annotated, as amended.

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

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

I&S Tax Rate Limitations

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

Section 45.0031 of the Texas Education Code, as amended, requires a school district to demonstrate to the Texas Attorney General that it has the prospective ability to pay its maximum annual debt service on a proposed issue of bonds and all previously issued bonds, other than bonds approved by voters of a school district at an election held on or before April 1, 1991 and issued before September 1, 1992 (or debt issued to refund such bonds, collectively, "exempt bonds"), from a tax levied at a rate of $0.50 per $100 of assessed valuation before bonds may be issued (the "50-cent Test"). In demonstrating the ability to pay debt service at a rate of $0.50, a school district may take into account EDA and IFA allotments to the school district, which effectively reduces the school district's local share of debt service, and may also take into account Tier One funds allotted to the school district. If a school district exercises this option, it may not adopt an I&S tax until it has credited to the school district's I&S fund an amount equal to all State allotments provided solely for payment of debt service and any Tier One funds needed to demonstrate compliance with the threshold tax rate test and which is received or to be received in that year. Additionally, a school district may demonstrate its ability to comply with the 50-cent Test by applying the $0.50 tax rate to an amount equal to 90% of projected future taxable value of property in the school district, as certified by a registered professional appraiser, anticipated for the earlier of the tax year five (5) years after the current tax year or the tax year in which the final payment for the bonds is due. However, if a school district uses projected future taxable values to meet the 50-cent Test and subsequently imposes a tax at a rate greater than $0.50 per $100 of valuation to pay for bonds subject to the test, then for subsequent bond issues, the Texas Attorney General must find that the school district has the projected ability to pay principal and interest on the proposed bonds and all previously issued bonds subject to the 50-cent Test from a tax rate of $0.45 per $100 of valuation. Once the prospective ability to pay such tax has been shown and the bonds are issued, a school district may levy an unlimited tax to pay debt service. Refunding bonds issued pursuant to Chapter 1207, Texas Government Code, are not subject to the 50-cent Test; however, taxes levied to pay debt service on such bonds (other than bonds issued to refund exempt bonds) are included in maximum annual debt service for calculation of the 50-cent Test when applied to subsequent bond issues that are subject to the 50-cent Test. The Bonds are issued for refunding purposes pursuant to Chapter 45, Texas Education Code and are, therefore, not subject to 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. A school district's M&O tax rate may not exceed the rate equal to the sum of (i) $0.17 and (ii) the school district's MCR (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" herein for more information regarding the State Compression Percentage, MCR, and the Enrichment Tax Rate).

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

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

Before adopting its annual tax rate, a public meeting must be held for the purpose of adopting a budget for the succeeding year. A notice of public meeting to discuss the school district's budget and proposed tax rate must be published in the time, format and manner prescribed in Section 44.004 of the Texas Education Code. Section 44.004(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.

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 E – 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 E is incorporated herein and made a part hereof for all purposes.

The information Appendix E concerning the Texas Permanent School Fund and the Guarantee Program has been provided by the TEA and is not guaranteed as to accuracy or completeness by, and should not be construed as a representation by, the District, the Municipal Advisor or the Underwriters.

EMPLOYEES BENEFIT PLAN

The District’s employees participate in a retirement plan (the “Plan”) with the State of Texas. The Plan is administered by the Teacher Retirement System of Texas (“TRS”). State contributions are made to cover costs of the TRS retirement plan up to certain statutory limits. The District is obligated for a portion of TRS costs relating to employee salaries that exceed the statutory limit. For the year ending August 31, 2025, the State contributed $7,156,673 to TRS on behalf of the District and other contributions into the Plan made from the District for salaries above the statutory minimum of $5,893,094.

In addition to the TRS retirement plan, the District provides health coverage for its employees. For a discussion of the Plan and the District’s medical benefits plan, see Notes N and O to the audited financial statements of the District that are attached hereto as Appendix C.

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

RATINGS

It is anticipated that the Bonds will be rated “AAA” by S&P Global Ratings. (“S&P”) by virtue of the guarantee of the Permanent School Fund of the State of Texas. S&P generally rates all bond issues guaranteed by the Permanent School Fund of the State of Texas “AAA”. The presently outstanding unenhanced tax supported debt of the District, including the Bonds, is rated “AA” by S&P. An explanation of the significance of such ratings may be obtained from S&P. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

Periodically, rating agencies will evaluate and, on occasion as a result of these evaluations revise, their rating methodologies and criteria for municipal issuers such as the District. A revision in a rating agency’s rating methodology could result in a positive or negative change in a rating assigned by that agency, even if the rated entity has experienced no material change in financial condition or operation. Any of the rating agencies at any time while the Bonds remain outstanding could undertake such an evaluation process.

The ratings of the Bonds reflect only the views of S&P at the time the ratings are given, and the District makes no representations as to the appropriateness of the ratings. There is no assurance that the ratings will continue for any given period of time, or that the ratings will not be revised downward or withdrawn entirely by S&P, if, in the judgment of S&P Fitch, circumstances so warrant. Any such downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Bonds.

LEGAL MATTERS

Legal Opinions

The District will furnish the Underwriters a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that each initial Bond is a valid and legally binding obligation of the District, and based upon examination of such transcript of proceedings, the legal opinion of Bond Counsel, to like effect.

Though it represents the Municipal Advisor and the Underwriters from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the District in the issuance of the Bonds. Except as noted below, Bond Counsel did not take part in the preparation of this Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein except that in its capacity as Bond Counsel, Cantu Harden Montoya LLP, San Antonio, Texas has reviewed the information under the captions and subcaptions “THE BONDS” (except for the subcaptions “Redemption Provisions – DTC Redemption Provisions”, the last sentence under “Security”, “Permanent School Fund Guarantee”, “Payment Record”, and “Sources and Uses of Funds,” as to which no opinion is expressed), “REGISTRATION, TRANSFER AND EXCHANGE”, “STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS”, “CURRENT PUBLIC SCHOOL FINANCE SYSTEM”, “TAX RATE LIMITATIONS – M&O Tax Rate Limitations” (first paragraph only), “LEGAL MATTERS” (except for the last three sentences of the third paragraph of the subheading “Legal Opinions”, as to which no opinion is expressed), “TAX MATTERS”, and “CONTINUING DISCLOSURE OF INFORMATION” (except the information under the subheading “Compliance with Prior Undertakings” as to which no opinion is expressed) in the Official Statement and such firm is of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Order.

The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of Bonds are contingent on the sale and delivery of the Bonds. The legal opinion of Bond Counsel may accompany the Bonds deposited with DTC or may be printed on the definitive Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, as counsel to the Underwriters. McCall, Parkhurst & Horton L.L.P. also advises the TEA in connection with its disclosure obligations under the federal securities laws, but such firm has not passed upon any TEA disclosures contained in this Official Statement. The legal fee of such firm is contingent upon the sale and delivery of the Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of 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 an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Legal Investment and Eligibility to Secure Public Funds in Texas

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least $1 million of capital, and savings and loan associations. In accordance with the Public Funds Investment Act, Chapter 2256, Texas Government Code, the Bonds must be rated at least “A” or its equivalent as to investment quality by a national rating agency in order for most municipalities or other political subdivisions or public agencies of the State of Texas to invest in the Bonds, except for purchases of interest and sinking funds of such entities. See “RATINGS” herein. Moreover, municipalities or other political subdivisions or public agencies of the State of Texas that have adopted investment policies and guidelines in accordance with the Public Funds Investment Act may have other, more stringent requirements for purchasing securities, including the Bonds. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value.

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

Registration and Qualification of Bonds for Sale

No registration statement relating to the Bonds has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon one or more exemptions thereunder. The Bonds have not been approved or disapproved by the Securities and Exchange Commission, nor has the Securities and Exchange Commission 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 acts 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 will agree 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.

TAX MATTERS

The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Bonds should consult its own tax advisor as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

Tax Exemption

In the opinion of Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds for federal income tax purposes: (1) will be excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") of the owners thereof, and (2) will not be included in computing the alternative minimal taxable income of the owners thereof who are individuals. The statutes, rules, regulations, and court decisions on which such opinion is based are subject to change.

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

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

Tax Changes

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

Ancillary Tax Consequences

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, corporations subject to the alternative minimum tax on adjusted financial statement income, owners of an interest in a financial asset securitization investment trust ("FASIT"), individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

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

Tax Accounting Treatment of Discount Bonds

The initial public offering price to be paid for certain Bonds may be less than the amount payable on such Bonds at maturity (the "Discount Bonds"). An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bonds. A portion of such original issue discount, allocable to the holding period of a Discount Bond by the initial purchaser, will be treated as interest for federal income tax purposes, excludable from gross income on the same terms and conditions as those for other interest on the Bonds. Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during his taxable year.

However, such accrued interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, S corporations with subchapter C earnings and profits, owners of an interest in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

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

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

Tax Accounting Treatment of Premium Bonds

The initial public offering price to be paid for certain Bonds may be greater than the stated redemption price amount payable on such Bonds at maturity (the "Premium Bonds"). An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and its stated redemption price at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium with respect to the Premium Bonds. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

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

Tax Legislative Changes

Current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any recently-enacted, proposed, pending or future legislation.

INVESTMENT POLICIES

Investments

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

Legal Investments

Under Texas law, the District is authorized to make investments meeting the requirements of 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 Public Funds Investment Act (Chapter 2256, Texas Government Code) (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.); (14) aggregate repurchase agreement transactions entered into by an investing entity in conformity with the provisions of subsections (a-1), (f), and (g) of Section 2256.011 of the Public Funds Investment Act; and (15) 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 in under this heading, or (b) a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract 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.

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. 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 a bond that is convertible into stocks or shares in the entity issuing the bond (or an affiliate or subsidy thereof) or any unsecured debt. Corporate bonds must finally mature not later than 3 years from their date of purchase by the school district. A school district may not (1) invest more than 15% of its monthly average fund balance (excluding bond proceeds, reserves, and other funds held for the payment of debt service) in corporate bonds; or (2) invest more than 25% of the funds invested in corporate bonds in any one domestic business entity (including subsidiaries and affiliates thereof). Corporate bonds held by a school district must be sold if they are at any time downgraded below "AA-" (or the equivalent thereof) or, with respect to a corporate bond rated "AA-" (or the equivalent thereof), such corporate bond is placed on negative credit watch. Corporate bonds are not an eligible investment for a public funds investment pool. To invest in corporate bonds, an eligible school district must first (i) amend its investment policy to authorize corporate bonds as an eligible investment, (ii) adopt procedures for monitoring rating changes in corporate bonds and liquidating an investment in corporate bonds, and (iii) identify funds eligible to be invested in corporate bonds. As of the date of this Official Statement, the District has not taken the steps necessary to allow for investing in corporate bonds or made investments in that type of instrument.

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 (15) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less.

Investment Policies

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that 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 Texas 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 District's 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 District's Board.

Under Texas 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.

CONTINUING DISCLOSURE OF INFORMATION

In the Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access ("EMMA") system where it will be available to the general public, free of charge at www.emma.msrb.com. See "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" for a description of the continuing disclosure undertaking to provide certain updated financial information and operating date annually with respect to the Permanent School Fund and the State of Texas as the case may be, and to provide timely notice of specified events related to the guarantee to the MSRB.

Annual Report

The District will provide certain updated financial information and operating data annually to the MSRB. The information to be updated includes financial information and operating data with respect to the District of the general type included in this Official Statement under Appendix A in Tables 1 through 5 and 7 through 13 (the "Annual Financial Information"). The District will additionally provide financial statements of the District (the "Financial Statements") that will be (i) prepared in accordance with the accounting principles described in Appendix C or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation and shall be in substantially the form included in Appendix C and (ii) audited, if the District commissions an audit of such Financial Statements and the audit is completed within the period during which they must be provided. The District will update and provide the Annual Financial Information within six months after the end of each fiscal year and the Financial Statements within 12 months of the end of each fiscal year, in each case beginning with the fiscal year ending in and after 2026. The District may provide the Financial Statements earlier, including at the time it provides its Annual Financial Information, but if the audit of such Financial Statements is not complete within 12 months after any such fiscal year end, then the District shall file unaudited Financial Statements within such 12-month period and audited Financial Statements for the applicable fiscal year, when and if the audit report on such Financial Statements becomes available.

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

The District's current fiscal year end is August 31. Accordingly, the Annual Financial Information must be provided by the last day of February in each year, and the Financial Statements must be provided by August 31 of each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Notice of Certain Events

The District will file with the MSRB notice of any of the following events with respect to the Bonds in a timely manner (and not more than 10 business days after occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults; (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 Bonds, or other material events affecting the tax determinations with respect to 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 sale of substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District, if material, or an agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District or obligated person, any of which reflect financial difficulties. In the Order, the District adopted policies and procedures to ensure timely compliance with its continuing disclosure undertakings. Neither the Bonds nor the Order make any provision for debt service reserves, credit enhancement (except with respect to the Permanent School Fund guarantee), or liquidity enhancement. In 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.

For these purposes, any event described in Clause (12) of the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers of the District 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, and (b) the District intends the words "financial obligation" used in clauses (15) and (16) of the immediately preceding paragraph and in the definition of "financial obligation" within the undertaking described above to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

Availability of Information

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

Limitations and Amendments

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

The continuing disclosure agreement may be amended by the District from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds 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 registered owners of a majority in aggregate principal amount (or any greater amount required by any other provision of the Order that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the registered owners and Beneficial Owners of the Bonds. The District may also amend or repeal the provisions of the continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the District also may amend the provisions of this continuing disclosure agreement in its discretion in any other manner or circumstance, but in any case only if and to the extent that the provisions of this sentence would not have prevented 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 type of information and data provided.

Compliance with Prior Undertakings

During the past five years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

LITIGATION

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

VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS

The arithmetical accuracy of certain computations included in the schedules provided by RBC Capital Markets, LLC on behalf of the District relating to (a) computation of the sufficiency of the anticipated receipts from the Federal Securities, together with the initial cash deposit, if any, to pay, when due, the principal, interest and early redemption premium requirements, if any, of the Refunded Bonds, and (b) computation of the yields on Federal Securities and the Bonds will be verified by the Verification Agent. Such computations will be completed using certain assumptions and information provided by RBC Capital Markets, LLC on behalf of the District. The Verification Agent has restricted its procedures to recalculating the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information on which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

The report will be relied upon by Bond Counsel in rendering its opinion with respect to the excludability from federal income taxation of interest on the Bonds and with respect to the defeasance of the Refunded Bonds.

MUNICIPAL ADVISOR

RBC Capital Markets, LLC is employed as Municipal Advisor to the District. The fee paid to the Municipal Advisor for services rendered in connection with the issuance and sale of the Bonds is based on the amount of Bonds actually issued, sold and delivered, and therefore such fee is contingent on the sale and delivery of the Bonds.

The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

UNDERWRITING

The Underwriters have agreed, subject to certain customary conditions, to purchase the Bonds at a price equal to the initial offering prices to the public, as shown on page ii, less an Underwriters' discount of $________. The Underwriters' obligations are subject to certain conditions precedent, and they will be obligated to purchase all of the Bonds if any Bonds are purchased. 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 the Official Statement in accordance with their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

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

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, 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 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.

One of the Underwriters is BOK Financial Securities, Inc., which is not a bank, and the Bonds are not deposits of any bank and are not insured by the Federal Deposit Insurance Corporation.

CYBERSECURITY RISKS

The District relies on its information systems to provide security for processing, transmission and storage of confidential personal, health-related, credit and other information. It is possible that the District's security measures will not prevent improper or unauthorized access or disclosure of personally identifiable information resulting from cyber-attacks. Security breaches, including electronic break-ins, computer viruses, attacks by hackers and similar breaches can create disruptions or shutdowns of the District and the services it provides, or the unauthorized disclosure of confidential personal, health-related, credit and other information. If personal or otherwise protected information is improperly accessed, tampered with or distributed, the District may incur significant costs to remediate possible injury to the affected persons, and the District may be subject to sanctions and civil penalties if it is found to be in violation of federal or state laws or regulations. Any failure to maintain proper functionality and security of information systems could interrupt the District's operations, delay receipt of revenues, damage its reputation, subject it to liability claims or regulatory penalties and could have a material adverse effect on its operations, financial condition and results of operations.

WEATHER EVENTS

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

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.

CONCLUDING STATEMENT

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

MISCELLANEOUS

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.

The Order approved (i) the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and (ii) the Underwriters' use of this Official Statement in connection with the public offering and the sale of the Bonds.

This Official Statement was approved by District officials for distribution in accordance with the provisions of the Rule.

TYLER INDEPENDENT SCHOOL DISTRICT

____
Pricing Officer

SCHEDULE I

SCHEDULE OF REFUNDED BONDS*

	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
Unlimited Tax Refunding Bonds, Series 2015	02/15/2029	5.00%	$ 5,690,000	10/01/2026	100.00
	*********	***	********	*********	*****
	02/15/2031	4.00	5,460,000	10/01/2026	100.00
	02/15/2032	4.00	5,745,000	10/01/2026	100.00
			$16,895,000		
Unlimited Tax Refunding Bonds, Series 2016	02/15/2033	4.00%	$ 4,270,000	10/01/2026	100.00
	02/15/2034	4.00	4,205,000	10/01/2026	100.00
			$ 8,475,000		

____
* Preliminary, subject to change.

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APPENDIX A

FINANCIAL INFORMATION REGARDING THE DISTRICT

The Property Tax Code as Applied to the District

The Smith County Appraisal District ("Appraisal District") has the responsibility for appraising property in the District as well as other taxing units in the area. The Appraisal District is governed by a board of directors appointed by voters of the governing bodies of various applicable political subdivisions.

The District's taxes are collected by the Smith County Tax Assessor-Collector.

The District grants a state mandated $140,000 general homestead exemption.

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

The District grants a state mandated residence homestead exemption for disabled veterans of $60,000.

The District has not granted an additional exemption of 20% of the market value of a residence homestead; minimum exemption of $5,000.

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

The District does not tax nonbusiness personal property.

The District has granted the freeport property tax exemption.

The District has not entered into tax abatement agreements.

Table 1 - Valuation, Exemptions and Tax Supported Debt Obligations

2025/26 Total Appraised Value (Excludes Fully Exempt Property)[1]			$ 20,497,303,771
Less Exemptions/Reductions:			
$140,000 General Homestead		$ 3,274,198,616	
$60,000 Over 65 or Disabled		512,785,170	
Veterans		92,898,253	
Agricultural/Productivity Loss		963,689,837	
10% Homestead Cap Value Loss		838,767,586	
Non-Homestead Cap Loss		727,093,776	
Freeport		164,166,592	
Pollution Control		12,032,958	
Other		353,074	
	Total Exemptions:	$ 6,585,985,862	
2025/26 Taxable Assessed Valuation			$ 13,911,317,909
Outstanding Unlimited Tax Bonded Debt as of August 1, 2026			$ 362,995,000 [2][3]
Plus: The Bonds			23,875,000 [3]
Less: Interest & Sinking Fund Balance as of August 31, 2025			5,817,176
Net Unlimited Tax Bonded Debt Outstanding			$ 357,177,824
Ratio Net Funded Debt to Taxable Assessed Valuation			2.57%
Estimated District Population			137,143
Per Capita Taxable Assessed Valuation			$101,437
Per Capita Net Debt			$2,604

Source: The District and Smith County Appraisal District.

[1] Valuation includes the increase to the general State mandated homestead exemption from $100,000 to $140,000 and the increase in the State mandated homestead exemption of persons sixty-five (65) years of age or older and the disabled from $10,000 to $60,000. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 Legislative Session." The District estimated Taxable Assessed Valuation for 2026/27 is approximately $14,910,043,516, as provided by the Appraisal District.

[2] Net of the Refunded Bonds.

[3] Preliminary, subject to change.

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Table 2 - Taxable Assessed Valuations by Category

	FY 2026 Amount	FY 2026 % of Total	FY 2025 Amount	FY 2025 % of Total	FY 2024 Amount	FY 2024 % of Total
Real, Residential, Single-Family	$ 10,659,317,192	52.0%	$ 10,456,143,442	55.9%	$ 9,286,178,177	55.5%
Real, Residential, Multi-Family	1,337,487,724	6.5%	1,253,556,841	6.7%	1,058,883,278	6.3%
Real, Vacant Lots/Tracts	418,036,589	2.0%	291,208,950	1.6%	245,651,464	1.5%
Real, Acreage (Land Only)	980,573,634	4.8%	530,389,836	2.8%	511,622,264	3.1%
Real, Farm and Ranch Improvements	828,059,712	4.0%	700,701,423	3.7%	634,419,200	3.8%
Real, Commercial	3,763,742,173	18.4%	3,157,397,367	16.9%	2,759,028,145	16.5%
Real, Industrial	298,952,102	1.5%	274,579,019	1.5%	272,871,556	1.6%
Real, Oil, Gas and Other Mineral Reserves	42,654,812	0.2%	70,530,844	0.4%	61,815,100	0.4%
Real & Tangible Personal, Utilities	342,348,514	1.7%	256,043,653	1.4%	288,825,925	1.7%
Tangible Personal, Commercial	1,155,702,778	5.6%	1,092,777,994	5.8%	1,060,065,259	6.3%
Tangible Personal, Industrial	500,926,548	2.4%	441,037,921	2.4%	386,083,754	2.3%
Other Personal	43,510,213	0.2%	44,294,713	0.2%	45,856,220	0.3%
Real Property, Inventory	16,503,872	0.1%	11,891,842	0.1%	15,440,636	0.1%
Special Inventory	109,487,908	0.5%	112,047,678	0.6%	115,755,883	0.7%
Total Appraised Value	$ 20,497,303,771	100.0%	$ 18,692,601,523	100.0%	$ 16,742,496,861	100.0%
Less: Exemptions/Reductions	6,585,985,862		4,877,767,764		4,226,207,043	
Net Taxable Assessed Value	$ 13,911,317,909		$ 13,814,833,759		$ 12,516,289,818	

	FY 2023 Amount	FY 2023 % of Total	FY 2022 Amount	FY 2022 % of Total	FY 2021 Amount	FY 2021 % of Total
Real, Residential, Single-Family	$ 7,594,587,372	52.7%	$ 6,131,778,346	49.1%	$ 5,809,569,555	48.4%
Real, Residential, Multi-Family	880,333,594	6.1%	739,378,562	5.9%	653,510,455	5.4%
Real, Vacant Lots/Tracts	236,025,981	1.6%	196,759,858	1.6%	193,709,997	1.6%
Real, Acreage (Land Only)	515,156,766	3.6%	531,714,452	4.3%	509,072,152	4.2%
Real, Farm and Ranch Improvements	528,970,973	3.7%	456,590,876	3.7%	424,331,347	3.5%
Real, Commercial	2,616,455,620	18.2%	2,519,215,667	20.2%	2,482,871,598	20.7%
Real, Industrial	264,284,496	1.8%	300,273,023	2.4%	253,581,905	2.1%
Real, Oil, Gas and Other Mineral Reserves	30,212,058	0.2%	22,831,855	0.2%	42,834,615	0.4%
Real & Tangible Personal, Utilities	381,373,784	2.6%	282,592,820	2.3%	273,344,351	2.3%
Tangible Personal, Commercial	947,651,812	6.6%	895,216,481	7.2%	898,201,189	7.5%
Tangible Personal, Industrial	251,847,070	1.7%	259,352,864	2.1%	321,647,452	2.7%
Other Personal	41,147,317	0.3%	23,370,870	0.2%	23,021,379	0.2%
Real Property, Inventory	11,277,358	0.1%	25,540,419	0.2%	33,876,172	0.3%
Special Inventory	112,550,685	0.8%	91,169,014	0.7%	83,407,101	0.7%
Total Appraised Value	$ 14,411,874,886	100.0%	$ 12,475,785,107	100.0%	$ 12,002,979,268	100.0%
Less: Exemptions/Reductions	2,266,751,402		1,470,255,923		1,494,598,944	
Net Taxable Assessed Value	$ 12,145,123,484		$ 11,005,529,184		$ 10,508,380,324	

Source: Smith County Appraisal District.

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

Table 3 – Valuation and Funded Debt History

Fiscal Year Ended 31-Aug	Taxable Assessed Valuation	Change From Prior Year Amount	Change From Prior Year Percent	Tax Supported Debt Outstanding at End of Fiscal Year	Ratio of Tax Supported Debt to Taxable Assessed Valuation
2017	$ 8,493,086,075	$ 296,248,944	3.614%	$ 442,825,000	5.214%
2018	8,866,836,335	373,750,260	4.401%	431,660,000	4.868%
2019	9,495,553,489	628,717,154	7.091%	417,415,000	4.396%
2020	9,974,063,097	478,509,608	5.039%	397,885,000	3.989%
2021	10,508,380,324	534,317,227	5.357%	378,395,000	3.601%
2022	11,005,529,184	497,148,860	4.731%	440,695,000	4.004%
2023	12,145,123,484	1,139,594,300	10.355%	421,705,000	3.472%
2024	12,516,289,818	371,166,334	3.056%	405,020,000	3.236%
2025	13,814,833,759	1,298,543,941	10.375%	388,365,000	2.811%
2026(1)	13,911,317,909	96,484,150	0.698%	371,235,000	2.669%

Source: The District and Smith County Appraisal District.

(1) Net of the Refunded Bonds. Includes the Bonds. Preliminary, subject to change. Valuation includes the increase to the general State mandated homestead exemption from $100,000 to $140,000 and the increase in the State mandated homestead exemption of persons sixty-five (65) years of age or older and the disabled from $10,000 to $60,000. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 Legislative Session." The District estimated Taxable Assessed Valuation for 2026/27 is approximately $14,910,043,516, as provided by the Appraisal District.

Table 4 - Tax Rate, Levy, and Collection History

Fiscal Year Ended 8/31	Tax Rate	Tax Rate Distribution Local Maintenance	Tax Rate Distribution Interest & Sinking Fund	Tax Levy(A)(B)	Current Collections	Total Collections
2016	$ 1.37500	$ 1.04000	$ 0.33500	$ 108,087,977	98.4%	99.8%
2017	1.37500	1.04000	0.33500	111,738,453	99.0%	99.6%
2018	1.40500	1.04000	0.36500	117,758,469	99.5%	100.8%
2019	1.40500	1.04000	0.36500	127,316,972	98.5%	99.5%
2020(C)	1.33500	0.97000	0.36500	127,571,883	98.5%	99.5%
2021(C)	1.30410	0.95910	0.34500	130,987,489	98.7%	99.5%
2022(C)	1.28910	0.95410	0.33500	135,391,036	97.9%	98.7%
2023(C)	1.17930	0.87930	0.30000	138,150,462	97.6%	98.7%
2024(C)	0.96000	0.69530	0.26470	112,293,242	97.7%	98.9%
2025(C)	0.91000	0.66690	0.24310	116,894,170	98.0%	98.9%
2026(C)	0.84500	0.65000	0.19500	111,389,100	(In Process of Collection)	

(A) Excludes penalty and interest.

(B) Based on taxable value as of January 1.

(C) The reduction in the District's maintenance and operations rate is a function of House Bill 3, adopted by the Texas Legislature in June 2019.

Table 5 - Ten Largest Taxpayers

Name of Taxpayer	Nature of Property	2025/26 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Delek Refining LTD	Refinery	$ 270,208,434	1.94%
Tyler Regional Hospital	Hospital	195,616,871	1.41%
Oncor Electric Delivery Co.	Electric Utility	153,149,884	1.10%
Brookshire Grocery Co.	Supermarkets	149,338,958	1.07%
Genecov Investments Ltd	Real Property	73,971,824	0.53%
Wal-Mart Stores	Retailer	71,634,503	0.51%
Delek Refining	Refinery	65,986,586	0.47%
CWS SAF XII Cascades I Owner	Apartment Complex	46,254,480	0.33%
Cebridge Acquisitions LP	Cable and Television Services	45,520,274	0.33%
Simon Property Group	Commercial Property	45,250,000	0.33%
		$ 1,116,931,814	8.03%

Tyler ISD 2025/26 Taxable Assessed Valuation $13,911,317,909

Source: Smith County Appraisal District.

Table 6 - Estimated Direct and Overlapping Debt

Political Subdivision	Gross Outstanding Tax Supported Debt	Estimated % Overlapping	Amount Overlapping
Tyler Independent School District	$ 386,870,000	100.0%	$ 386,870,000
Smith County	223,545,000	43.9%	98,113,901
Tyler Junior College	59,413,000	59.4%	35,297,263
Total Direct and Overlapping Debt			$ 520,281,164

Ratio of Direct and Overlapping Debt to Taxable Assessed Valuation	3.740%
Per Capita Direct and Overlapping Debt	$ 3,794

Source: Municipal Advisory Council of Texas and the District

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

Table 7 - Pro-Forma I&S Tax Supported Debt Requirements

Fiscal Year Ending 8/31	Outstanding Unlimited Tax Debt Service[1]	The Bonds[2] Principal	Interest	Total	Total Outstanding Unlimited Tax Debt Service	% Principal Payoff
2026	$ 30,663,665				$ 30,663,665	
2027	29,775,464	$ 2,035,000	$ 1,103,083	$ 3,138,083	32,913,548	
2028	30,011,839	-	1,092,000	1,092,000	31,103,839	
2029	24,545,564	4,970,000	967,750	5,937,750	30,483,314	
2030	30,318,964	-	843,500	843,500	31,162,464	23.11%
2031	25,029,377	4,730,000	725,250	5,455,250	30,484,627	
2032	25,244,808	5,040,000	481,000	5,521,000	30,765,808	
2033	25,030,263	3,580,000	265,500	3,845,500	28,875,763	
2034	25,022,980	3,520,000	88,000	3,608,000	28,630,980	
2035	25,028,304	-	-	-	25,028,304	51.52%
2036	25,026,804	-	-	-	25,026,804	
2037	25,020,895	-	-	-	25,020,895	
2038	25,024,008	-	-	-	25,024,008	
2039	25,025,778	-	-	-	25,025,778	
2040	25,030,481	-	-	-	25,030,481	74.91%
2041	25,023,671	-	-	-	25,023,671	
2042	25,029,619	-	-	-	25,029,619	
2043	19,415,031	-	-	-	19,415,031	
2044	11,385,600	-	-	-	11,385,600	
2045	11,386,500	-	-	-	11,386,500	
2046	11,385,900	-	-	-	11,385,900	97.29%
2047	11,383,200	-	-	-	11,383,200	100.00%
	$ 510,808,716	$ 23,875,000	$ 5,566,083	$ 29,441,083	$ 540,249,799	

(1) Net of the Refunded Bonds. Preliminary, subject to change.
(2) Preliminary, subject to change. Interest calculated at an assumed rate for purposes of illustration only.

Table 7a - M&O Tax Supported Debt Service Requirements

The District does not have any M&O tax supported debt service obligations outstanding.

Table 8 - Interest and Sinking Fund Budget Projection

Estimated Tax Supported Debt Service Requirements, FYE 08/31/2026	$ 30,663,665	
Interest & Sinking Fund Balance, August 31, 2025	$ 5,817,176	
Estimated Interest & Sinking Fund Levy for Fiscal Year Ended 8/31/2026	26,211,807	
Estimated Additional State Aid for Homestead Exemption	3,731,836	
Delinquent Taxes and Penalties and Interest Collected	275,000	
Projected Investment Income for Fiscal Year Ended 8/31/2026	450,000	36,485,819
Projected Interest & Sinking Fund Balance, August 31, 2026		$ 5,822,154

Source: The District

Table 9 - Authorized but Unissued Unlimited Tax Bonds

Date Authorized	Amount Authorized	Amount Previously Issued	Unissued Balance
November 2, 2004	$ 95,975,800	$ 95,975,000	$ 800 [1]
			$ 800

[1] The District does not intend to issue bonds against this authorization.

Table 10 - Other Obligations

Right-to-Use Leases

The District has multiple 60-month operating leases with Xerox for copiers. Additional leases are entered into as needed. The lease terms expire at varying times. Commitments under operating (noncapitalized) lease agreements for copiers provide for minimum future rental payments as of August 31, 2025, as follows:

Fiscal Year Ending	Payment
2026	$ 867,869
2027	782,273
2028	597,932
2029	184,283
Total	$ 2,432,357

Source: District's Audited Financial Statement dated August 31, 2025.

Table 11 - Current Investments

Type of Security	Portfolio %	08/31/2025 Fair Value
Money Market Savings Accounts	10.4%	$ 10,280,801
Lone Star Investment Pool	30.2%	29,901,897
Texas Range	53.5%	53,001,971
US Treasury Notes	6.0%	5,971,877
Portfolio Total	100.0%	$ 99,156,546

Source: District's Audited Financial Statement dated August 31, 2025.

Table 12 - General Fund Comparative Balance Sheet

	Fiscal Year Ended August 31				
	2025	2024	2023	2022	2021
ASSETS					
Cash & Cash Equivalents	$ 68,433,410	$ 73,583,650	$ 73,020,631	$ 58,810,874	$ 56,162,117
Property Taxes - Delinquent	4,497,174	4,566,372	4,796,843	4,579,283	4,193,417
Allowance for Uncollectible Taxes	(788,134)	(642,512)	(751,029)	(561,158)	(510,574)
Due from Other Governments	17,706,062	7,119,741	4,679,445	4,220,232	715,697
Accrued Interest	87,453	79,386	60,257	113,662	6,722
Due from Other Funds	4,990,707	5,764,794	10,645,939	12,382,424	6,036,910
Other Receivables	171,431	147,090	283,122	71,437	79,265
Inventories	196,617	245,235	288,419	242,897	218,069
Prepaid Items	3,252,799	3,414,715	2,572,616	2,737,129	2,847,775
Deferred Expenditures	-	-	-	-	-
Total Assets	$ 98,547,519	$ 94,278,471	$ 95,596,243	$ 82,596,780	$ 69,749,398
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	$ 990,248	$ 664,777	$ 737,374	$ 1,229,342	$ 1,383,877
Payroll Deductions & Withholdings Payable	1,538,752	1,561,608	1,519,954	1,353,478	1,189,408
Accrued Wages Payable	10,746,241	10,140,260	9,616,390	8,525,452	7,828,440
Due to Other Funds	-	-	3,109,284	-	300,142
Due to Other Governments	2,479	1,703	1,601	3,697	6,296
Deferred Revenues	3,749,319	3,927,976	4,051,071	4,023,567	3,705,775
Payable from Restricted Assets	-	-	-	-	-
Total Liabilities	$ 17,027,039	$ 16,296,324	$ 19,035,674	$ 15,135,536	$ 14,413,938
Fund Balances					
Nonspendable Fund Balance:					
Inventory	$ 196,617	$ 245,235	$ 288,419	$ 242,897	$ 218,069
Prepaid Items	3,252,799	3,414,715	2,572,616	2,737,129	2,847,775
Deferred Expenditures	-	-	-	-	-
Restricted Fund Balance:					
State Funds Grant Restriction	-	-	-	-	-
Committed Fund Balance:					
Preventive Maintenance Fund	-	-	-	-	-
District Incentive Program	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Assigned Fund Balance:					
Other Assigned Fund Balance	28,789,904	28,433,922	27,849,121	21,783,730	13,135,138
Unassigned Fund Balance	48,281,160	44,888,275	44,850,413	41,697,488	38,134,478
Total Fund Balance	$ 81,520,480	$ 77,982,147	$ 76,560,569	$ 67,461,244	$ 55,335,460
Total Liabilities & Fund Balance	$ 98,547,519	$ 94,278,471	$ 95,596,243	$ 82,596,780	$ 69,749,398

Source: The District's Audited Financial Statements.

Table 13 - General Fund Comparative Statement of Revenues and Expenditures

	Fiscal Year Ended August 31				
	2025	2024	2023	2022	2021
Total Reserve Fund Balance at Beginning of Year	$ 77,982,147	$ 76,560,569	$ 67,461,244	$ 55,335,460	$ 46,961,675
Revenues					
Local and Intermediate Sources	$ 90,254,103	$ 86,756,280	$107,544,276	$101,409,179	$ 97,976,297
State Sources	96,659,370	94,593,500	64,997,185	64,868,734	64,836,440
Federal Sources and Other	1,176,992	3,605,479	5,734,417	6,642,400	3,599,573
Total Revenues	$188,090,465	$184,955,259	$178,275,878	$172,920,313	$166,412,310
Expenditures					
Instruction & Instructional Related Services	$111,619,015	$114,066,510	$102,758,445	$ 99,310,496	$ 96,612,354
Instructional & School Leadership	11,457,108	11,911,671	11,288,004	10,689,781	10,546,712
Pupil Services	24,045,359	22,690,812	20,820,464	19,563,979	18,295,678
Administration	4,378,860	4,789,271	4,317,600	4,194,360	3,862,798
Support Services	26,549,465	24,399,188	24,231,933	21,987,830	20,528,563
Ancillary Service	39,613	262,940	67,726	60,216	63,176
Debt Service	624,209	474,834	554,109	-	-
Capital Outlay	2,614,625	1,739,006	481,742	314,996	3,653,478
Intergovernmental Charges	2,135,280	2,251,999	2,258,218	2,282,415	2,231,134
Total Expenditures	$183,463,534	$182,586,231	$166,778,241	$158,404,073	$155,793,893
Excess (Deficit) Revenues Over Expenditures	$ 4,626,931	$ 2,369,028	$ 11,497,637	$ 14,516,240	$ 10,618,417
Other Resources					
Transfers In	675,450	710,292	736,883	396,554	350,782
Transfers Out	(3,589,794)	(3,292,009)	(3,303,593)	(2,848,236)	(2,690,968)
Other (Uses)	1,825,746	1,634,267	168,398	61,226	95,554
Excess (Deficiency of Revenues and Other Sources Over (Under) Expenditures and Other Uses	3,538,333	1,421,578	9,099,325	12,125,784	8,373,785
Total Revenue and Fund Balance at End of Year(1)	$ 81,520,480	$ 77,982,147	$ 76,560,569	$ 67,461,244	$ 55,335,460
Fund Balance as a % of Revenues	43.3%	42.2%	42.9%	39.0%	33.3%
Fund Balance as a % of Expenditures	44.4%	42.7%	45.9%	42.6%	35.5%

Source: The District's Audited Financial Statements.

APPENDIX B

GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY

GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY

Tyler Independent School District (the "District") was established as a political subdivision of the State of Texas (the "State") and incorporated in 1882. As the largest school district in northeast Texas, the District encompasses 209 square miles, maintains a total of 38 campus and auxiliary facilities and serves an enrollment of approximately 18,148 students. The District serves the City of Tyler (the "City" or "Tyler") and several smaller surrounding cities and areas.

The District is governed by a Board of Trustees (the "Board") comprised of seven elected members. The Board members elect a President and Vice President from among the members. The Board of Trustees serve three-year staggered terms with at large elections being held every year. Board policy and decisions are decided by a majority vote of the Board. The Superintendent of Schools is selected by the Board; other District officials are employed as a result of action by the Superintendent and the Board.

The District owns and operates 26 instructional facilities which are fully accredited by the Texas Education Agency. Students attend classes in air-conditioned schools complete with cafeterias, library/media centers and gymnasiums. The number and types of instructional facilities are as follows:

Elementary Schools	17
Middle/Intermediate Schools	6
High Schools	2
Special Learning Center	1
Total	**26**

DISTRICT ENROLLMENT INFORMATION

Scholastic Enrollment History

Year	Enrollment	Increase/(Decrease)	Percent Change
2006-07	18,009	(3)	(0.02%)
2007-08	18,203	194	1.07%
2008-09	18,300	97	0.53%
2009-10	18,344	44	0.24%
2010-11	18,561	217	1.17%
2011-12	18,393	(168)	(0.91%)
2012-13	18,263	(130)	(0.71%)
2013-14	18,029	(234)	(1.28%)
2014-15	18,035	6	0.03%
2015-16	18,171	136	0.75%
2016-17	18,130	(41)	(0.23%)
2017-18	18,003	(127)	(0.70%)
2018-19	18,130	127	0.71%
2019-20	18,260	130	0.72%
2020-21	17,721	(539)	(2.95%)
2021-22	18,148	427	2.41%
2022-23	18,328	180	0.99%
2023-24	18,304	(24)	(0.13%)
2024-25	18,708	404	2.21%
2025-26	18,854	146	0.78%

Source: District Records.

PRESENT SCHOOL FACILITIES

School	Enrollment	Grades Served
Tyler Legacy High School	2,794	9-12
Early College/RISE Academy	542	9-12
John Tyler High School	2,078	9-12
Total High Schools	**5,414**	
Boulter Middle School	906	6-8
Hubbard Middle School	949	6-8
Moore Middle School	1,079	6-8
Three Lakes Middle School	1,017	6-8
Total Middle Schools	**3,951**	
T.J. Austin Elementary School	330	PK-5
Bell Elementary School	537	PK-5
Birdwell Elementary School	614	PK-5
Bonner Elementary School	375	PK-5
Caldwell Elementary School	627	PK-5
Clarkston Elementary School	413	PK-5
Dixie Elementary School	610	PK-5
Douglas Elementary School	598	PK-5
Griffin Elementary School	618	PK-5
Jack Elementary School	706	PK-5
Jones-Boshears Elementary School	314	PK-5
Orr Elementary School	676	PK-5
Owens Elementary School	718	PK-5
Peete Elementary School	411	PK-5
Ramey Elementary School	498	PK-5
Rice Elementary School	601	PK-5
Woods Elementary School	843	PK-5
Total Elementary Schools	**9,489**	
GRAND TOTAL	**18,854**	

Source: District Records.

CITY OF TYLER, TEXAS AND SMITH COUNTY, TEXAS
ECONOMIC AND DEMOGRAPHIC INFORMATION

The City of Tyler is the principal city of the Tyler Metropolitan Statistical Area and is the county seat of Smith County, Texas. Tyler is considered the health care, retail and manufacturing center of East Texas, located on U.S. Highway 69 just south of Interstate 20. The City is located an equal distance from the cities of Dallas, Texas and Shreveport, Louisiana and is often referred to as the “City of Roses” primarily for its large municipal rose garden and the numerous rose and other garden festivals held annually. Economic activity within the City is diverse, consisting of medical, educational, manufacturing, oil and gas, agricultural, tourism and general trade activities.

According to the 2020 Census, the City encompassed 53.00 square miles and had a population of 105,995. The 2025 estimated population of the City is 113,723. Smith County has a total area of 949 square miles and had a 2020 Census population of 233,479, an 11.3% increase since 2010.

Medical

Tyler is the medical center of East Texas, with three primary hospitals and a vast number of supporting clinics, practices and specialty hospitals. East Texas Medical Center Regional Healthcare System is a Level I Trauma Center with 454 beds. Trinity Mother Frances Hospital and Clinics is a Level II Trauma Center with 404 beds and UT Health Science Center Northeast has 109 beds.

Transportation

Tyler has excellent Interstate, U.S. and State Highway systems that provide efficient and economical transportation to all destinations, including Interstate 20, U.S. Highways 271 & 69, and State Highways 31, 64, 110 & 155. State officials estimate that as many as 270,000 people come to Tyler each day to work, attend school, seek medical services, or just shop.

Commercial air service is provided by the Tyler Pounds Regional Airport, which is located approximately 4 miles west of Loop 323 along State Highway 64. In 2010, approximately 74,000 passengers chose the Tyler airport to reach their destinations. American Airlines offers American Eagle prop and Jet service to Dallas Fort Worth Airport with 4 daily flights. United Express Airlines offers 5 daily flights to Houston’s Intercontinental Airport.

Higher Education

The area has access to higher education opportunities through several institutions. The University of Texas at Tyler with enrollment of approximately 6,700 with 74 undergraduate and graduate degrees in five colleges; Texas College at Tyler with approximately 870 students; Tyler Junior College with an enrollment of approximately 24,738 students; Tyler School of Business; East Texas Barber College; and Tyler Real Estate School.

Attractions

Tyler is well known for its rose festival, the Texas Rose Festival, which draws crowds to the City in the fall. The City is also home to the East Texas State Fair. Additionally there are eight museums and six performing arts companies in the City. The City is also home to the Caldwell Zoo and several educational and historical attractions. Amusement facilities and sporting facilities are also plentiful in the area.

Economy

The Tyler and Smith County economy is more diverse than it has ever been. The area workforce includes leisure and hospitality, state government, local government, information systems, retail trade, education and health services, financial services, natural resources, mining and construction, manufacturing and other services. Some of the products manufactured, processed or distributed in the area include: air conditioning units, cast iron pipe, life jackets, baking products, milk products, petrochemical processing equipment, petrochemical products, brass products, meat products, corrugated boxes, exercise equipment, printing, medical supplies, silk flowers, various rubber products, adhesives, fishing lures, candy, and many others. Additionally, retail activities continue to expand in the area providing residents with a growing choice of shopping opportunities.

Major Employers

The following are the major employers in the City and Smith County.

Employer	Industry	Employees
Christus Trinity Mother Frances	Health Care	3,872
UT Health East Texas	Health Care/Research	3,559
Tyler Independent School District	Public Education	2,563
Sanderson Farms	Agriculture	1,845
Wal-Mart Stores	Retail	1,521
Trane Company	Air Conditioning	1,473
UT Health Science Center	Health Care/Research	1,460
Brookshire Grocery Company	Grocery	1,455
The University of Texas at Tyler	Higher Education	1,201
Altice USA	Telecommunications	1,150

Source: Tyler Chamber of Commerce, District's Audited Financial Statement

Labor Market Information

The following are the Civilian Labor Force and Unemployment statistics for the area.

	2026(1)	2025	2024	2023	2022
City of Tyler					
Total Civilian Labor Force	57,456	56,798	55,339	54,071	52,819
Total Unemployment	3.9%	4.0%	3.8%	3.8%	3.8%
Smith County					
Total Civilian Labor Force	122,762	121,308	118,284	115,524	112,477
Total Unemployment	3.9%	4.0%	3.8%	3.7%	3.8%
State of Texas					
Total Civilian Labor Force	15,915,979	15,883,263	15,628,870	15,248,074	14,784,035
Percent Unemployed	4.3%	4.2%	4.1%	4.0%	3.9%

(1) As of May 2026.
Source: Labor Market Information Department, Texas Workforce Commission.

APPENDIX C

EXCERPTS FROM THE DISTRICT'S AUDITED FINANCIAL REPORT

Tyler Independent School District

Annual Comprehensive Financial Report

For the Fiscal Year Ended August 31, 2025

Tyler, Texas

TYLER ISD

SUCCESSFUL STUDENT OUTCOMES

TYLER
INDEPENDENT SCHOOL DISTRICT

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED AUGUST 31, 2025

Marty Crawford, Ed.D.
Superintendent

Kasey Russell, CPA, RTSBA
Chief Financial Officer

Prepared by
Department of Financial Services

Tyler Independent School District
1319 Earl Campbell Parkway, P.O. Box 2035
Tyler, Texas 75710

TYLER ISD

SUCCESSFUL STUDENT OUTCOMES

TYLER INDEPENDENT SCHOOL DISTRICT
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED AUGUST 31, 2025

TABLE OF CONTENTS

TABLE OF CONTENTS

TABLE OF CONTENTS

TYLER ISD

SUCCESSFUL STUDENT OUTCOMES

Introductory Section

TYLER ISD
SUCCESSFUL STUDENT OUTCOMES

CERTIFICATE OF BOARD

Tyler Independent School District	Smith	212905
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 22nd of January, 2026.

Signature of Board Secretary

Signature of Board President

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

TYLER ISD
SUCCESSFUL STUDENT OUTCOMES

TYLER ISD
SUCCESSFUL STUDENT OUTCOMES

January 22, 2026

To the Board of Trustees and Citizens of the Tyler Independent School District:

The Annual Comprehensive Financial Report (ACFR) of the Tyler Independent School District (the "District") for the fiscal year ended August 31, 2025 is hereby submitted. This report has been prepared to provide the Board of Trustees (the "Board"), representatives of financial institutions and rating agencies, the citizenry of the District, and other interested parties information concerning the financial condition of the District.

This report consists of management's representations concerning the finances of the District. Responsibility for the accuracy and fairness of the presentation, including all disclosures, rests with the District. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

Report Format

The Annual Comprehensive Financial Report consists of four sections:

- Section I, the Introductory Section, includes this transmittal letter, which highlights significant aspects of financial operations during the year, and the District's organizational chart.

- Section II, the Financial Section, includes the independent auditors' report, Management's Discussion and Analysis (MD&A), the basic financial statements, notes to the financial statements, and detailed combining and individual statements and supporting schedules for the District's funds. The MD&A is a narrative introduction, overview, and analysis to accompany the basic financial statements and can be found immediately following the independent auditors' report. This transmittal letter is designed to complement MD&A and should be read in conjunction with it.

- Section III, the Statistical Section, includes unaudited data tables, which summarize the financial and statistical history of the District as well as demographic and other useful information.

- Section IV, the Compliance Section, includes the single audit reports prepared in conformity with the provisions of the Single Audit Act and U.S. Office of Management and Budget Uniform Guidance, Audits of State, Local Governments, and Non-Profit Organizations.

Profile of the District

The Tyler Independent School District was established as a political subdivision of the State of Texas and incorporated in 1882. The District is governed by a Board of Trustees comprised of seven elected members. The Board members elect a President and Vice President from the members. As the largest school district in Northeast

Texas, the District encompasses 209 square miles, maintains a total of 33 campus and auxiliary facilities, and serves an enrollment of 18,708 students. Enrollment is projected to continue to increase gradually as the population of the Tyler area grows. Projected enrollment for 2025-2026 was estimated to be 18,750. According to the 2020 Census, the city's population is 106,985. The District and the City of Tyler are governed independently of one another with individual taxing authority.

The Board's Vision Statement: Tyler ISD will focus on successful student outcomes.

The Board of Trustees has adopted Core Belief Statements designed to fulfill the vision to be recognized as a premier school district in the state and the nation. The Board believes:

- All children can learn.

  It is the District's responsibility to ensure each student will reach his or her highest academic potential, graduate high school prepared for higher education and/or workforce in the global market while closing the achievement gap.

- All students deserve a safe and healthy learning environment.

  It is the District's responsibility to provide a safe, healthy learning environment designed to attract, engage and retain the students' attention.

- Quality teachers and staff are the key to academic excellence.

  It is the District's responsibility to establish academic excellence by hiring, training and retaining quality teachers and staff.

- Schools and communities have an enormous impact on students' lives.

  It is the District's responsibility to collaborate with the community to achieve and sustain excellence in the education of District students.

- Effective and responsible utilization of the community's resources is fundamental in educating children.

  It is the District's responsibility to allocate District resources to meet the needs of all students while maintaining the highest level of fiscal responsibility, efficacy and integrity.

The District is made up of two traditional high schools, two choice high schools, four middle schools, two PreK-8th choice schools, fifteen elementary schools, one alternative school, one special education campus, and a Career and Technology Center. Details about campus buildings including year of construction or rennovation are listed in Table 21 in the statistical section of this report. The District's on-site management policy enables administrators and teachers at each campus to implement programs responsive to the particular needs of its individual student body. With academic achievement as its primary objective, the District takes strong measures to ensure a positive, safe and orderly learning environment, to instill self-discipline, and to enforce standards of excellence throughout the system. The District offers education programs at the pre-kindergarten through grade 12 levels.

In addition to a rigorous district-wide curriculum, the District offers a wide array of specialized learning opportunities and programs for its diverse population. Programs include, but are not limited to: advanced studies, gifted and talented programs, advanced placement, career and technology education, dual credit, bilingual/English as a second language instructional program, special education services, cooperative education programs, internships, and a wide array of visual and performing arts programs.

The Tyler ISD Foundation (the "Foundation") was established in 1990 to support the students and teachers of the District. The Foundation awards grants to teachers for innovative programs and for professional development. This organization has been considered as a potential component unit, but using the guidance of Statement No. 39 of the Governmental Accounting Standards Board, the District concluded that the financial statements of the Foundation were immaterial to the District and should not be included in this report.

Budgetary Control

State law requires that every local education agency in Texas prepare and file an annual budget of anticipated revenues and expenditures with the Texas Education Agency. The budget itself is prepared utilizing a detailed line item approach for all Government Fund types and is prepared in accordance with the budgeting requirements as outlined in TEA's Financial Accountability System Resource Guide (FASRG). It is the intent of the District that the budgetary process result in the most effective mix of the educational and financial resources available while attaining the goals and objectives of the District. This includes the identification and prioritization of as many separate educational and educational support components as reasonably possible. These components are initially identified and prioritized by the organizational manager most directly responsible and are later reviewed by a budget committee.

This priority budgeting approach allows the District to establish layers of expenditures that can be readily matched with anticipated revenues and desired levels of fund balances and ad valorem tax rates. The ultimate decision of the level of funding and components to be funded is the responsibility of the Board of Trustees. After considering all factors, the Board then sets an ad valorem tax rate that generates sufficient revenues to support the expenditure budget and maintain desired levels of fund balances. The budget may be amended during the year to address unanticipated changing needs of the District. The Board of Trustees is legally required to approve the budget at the function level and approve estimated revenues. Changes to functional expenditure categories, revenue estimates or other changes which may impact fund balance accounts require Board of Trustee approval.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered within the broader perspective of the environment in which the District operates.

Introduction. Located midway between Dallas, Texas and Shreveport, Louisiana, Tyler is a garden city of about 100,000 known for its roses and scenic beauty. Community assets such as Caldwell Zoo, the East Texas Symphony Orchestra, Discovery Science Place, Camp Tyler, the Tyler Museum of Art, and Hudnall Planetarium afford opportunities for field trips that expand learning beyond the normal classroom experience. In addition, the District offers students access to nationally recognized higher education programs through partnerships with the University of Texas at Tyler and Tyler Junior College.

Local Economy. The city is projected to gain employment in the services industry, wholesale and retail trade, along with other areas. Tyler's unemployment rate has increased from 4.1% in August 2024, to 4.3% in August 2025, according to the U. S. Bureau of Labor Statistics. It remains the East Texas region's center for healthcare and education, with three major medical centers and three post-secondary institutions.

Long-Term Financial Planning. The state funding formula increased the District's funding for the 2026 and 2027 fiscal years; beyond that, funding is dependent upon legislative action. The District funded pay raises for the 2025-2026 school year for teachers according to HB 2 through the Teacher Retention Allotment, a 5% of midpoint raise for hourly staff partially paid for by the Support Staff Retention Allotment, and a 3% of midpoint raise for professional staff through other formula increases to stay competitive with surrounding school districts.

Financial Policies With Significant Impact on Financial Statements. It is the practice of the District to project conservatively for budget purposes both in revenues and expenditures. This practice continues to help the District maintain a healthy financial condition. The District also pursues an active management role in construction projects, which has helped to generate savings.

Internal Control. To provide a reasonable basis for making the representations in these financial statements, management of the District has established a comprehensive internal control framework that is designed both to protect the District's assets from loss, misuse or theft, and to compile sufficient reliable information for the preparation of the District's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not exceed the benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable assurance rather than absolute assurance that the financial statements will be free from material misstatement. The District has an Internal Auditor who reports directly to the Board of Trustees.

Independent Audit

Pattillo, Brown & Hill, L.L.P., a firm of licensed certified public accountants, audited the District's financial statements. The goal of the independent audit is to provide reasonable assurance that the financial statements of the District for the fiscal year ended August 31, 2025, are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the District's financial statements for the fiscal year ended August 31, 2025, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component of the financial section of this report.

The independent audit of the financial statements is part of a broader, federally mandated "Single Audit" designed to meet the special need of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports may be found in the Compliance section of this report.

Awards and Acknowledgements

Financial Integrity Rating System of Texas (FIRST). Beginning with the 2002-2003 school year, the State implemented a new financial accountability rating system for Texas public school districts. Districts are rated based on overall performance on certain financial measurements, ratios, and other indicators. The current rating system utilizes various indicators to determine the rating for school districts statewide. The system is designed to encourage districts to improve the management of their financial resources to maximize the funds allocated for direct instructional purposes. For the 21st year, the District received a rating of **Superior, the State's highest possible rating for financial accountability.** The rating was based on budgetary and financial data for the 2024 fiscal year.

Government Finance Officers Association of the United States and Canada (GFOA). The GFOA has awarded a **Certificate of Achievement for Excellence in Financial Reporting** to the District for its ACFR for the fiscal year ended August 31, 2024. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Association of School Business Officials International (ASBO). Additionally, ASBO has awarded a **Certificate of Excellence in Financial Reporting by School Systems** to the District for the fiscal year ended August 31, 2024. The Certificate of Excellence in Financial Reporting for School Systems Program is a voluntary program sponsored by ASBO to foster excellence in the preparation and issuance of school system financial reports. A Certificate of Excellence is awarded to those school systems that have voluntarily submitted their ACFR for review by an ASBO Panel of Review. Upon completion of a vigorous technical review, the panel of review members concluded that the District's financial report met the criteria for excellence in financial reporting. We believe that our current ACFR continues to meet the requirements of the Certificate of Excellence in Financial Reporting by School Systems Program, and we are submitting it to ASBO to determine its eligibility for another certificate.

The preparation of this report on a timely basis would not have been possible without the dedicated services of the Financial Services staff. We would like to express our appreciation for their contributions to its presentation. We also appreciate the assistance of Pattillo, Brown & Hill, L.L.P., in the production of this report. Finally, we would like to thank the Board of Trustees for their continual support in the pursuit of excellence in all aspects of financial management.

Marty Crawford, Ed. D.
Superintendent

Kasey Russell, CPA, RTSBA
Chief Financial Officer

TYLER INDEPENDENT SCHOOL DISTRICT
PRINCIPAL OFFICIALS AND ADVISORS

Board of Trustees

Administration

Marty Crawford, Ed.D., Superintendent

Kasey Russell, CPA, RTSBA, Chief Financial Officer

Jennifer Hines, Chief Communications Officer

Consultants and Advisors

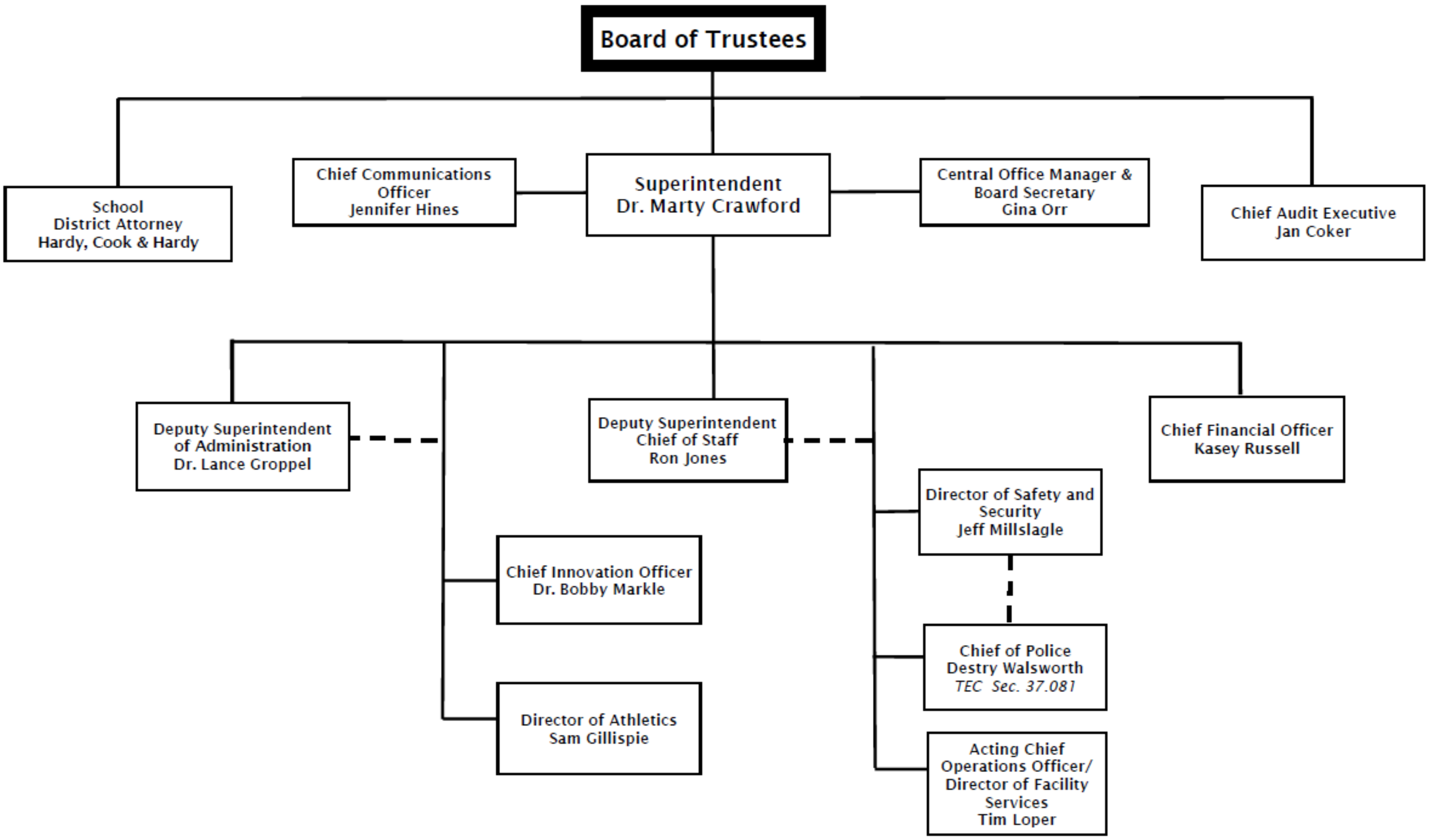
Pattillo, Brown & Hill, L.L.P.
Waco, Texas – Auditors

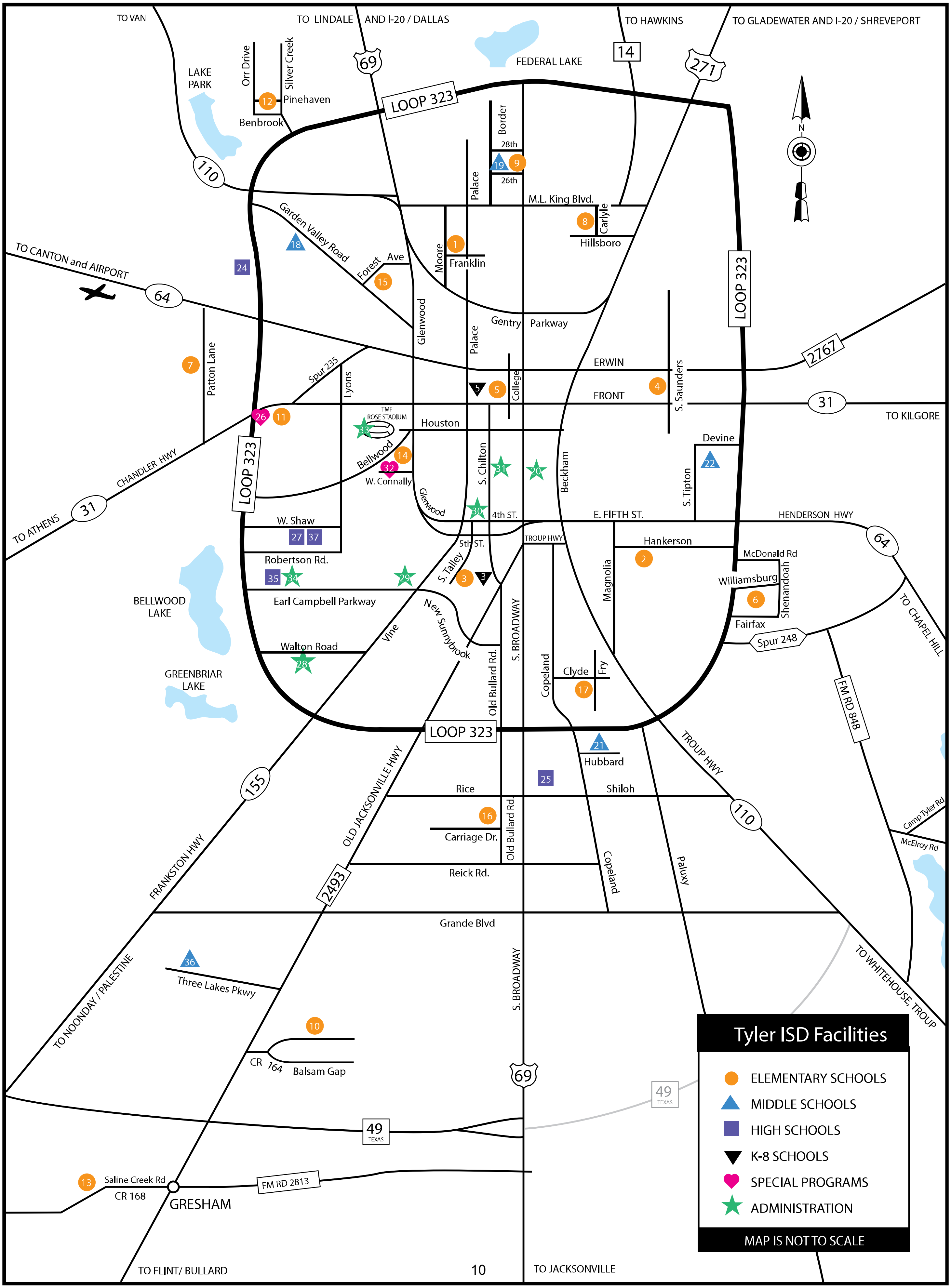
RBC Dain Rauscher
Dallas, Texas – Financial Advisors

Hardy, Cook & Hardy, P.C.
Tyler, Texas – General Counsel

TYLER INDEPENDENT SCHOOL DISTRICT
Organizational Structure

Senior Staff




Tyler ISD Facilities
ELEMENTARY SCHOOLS
MIDDLE SCHOOLS
HIGH SCHOOLS
K-8 SCHOOLS
SPECIAL PROGRAMS
ADMINISTRATION
MAP IS NOT TO SCALE
TO VAN
TO LINDALE AND I-20 / DALLAS
TO HAWKINS
TO GLADEWATER AND I-20 / SHREVEPORT
FEDERAL LAKE
LAKE PARK
Orr Drive
Silver Creek
Pinehaven
Benbrook
LOOP 323
69
14
271
110
Border
28th
26th
Palace
M.L. King Blvd.
Carlyle
Hillsboro
Garden Valley Road
Moore
Franklin
Forest Ave
TO CANTON and AIRPORT
64
Glenwood
Gentry Parkway
Patton Lane
Spur 235
Lyons
ERWIN
FRONT
College
S. Saunders
2767
31
TO KILGORE
TMF ROSE STADIUM
Houston
Bellwood
W. Connally
S. Chilton
Beckham
Devine
S. Tipton
CHANDLER HWY
TO ATHENS
W. Shaw
Glenwood
4th ST.
E. FIFTH ST.
HENDERSON HWY
5th ST.
TROUP HWY
Hankerson
McDonald Rd
Williamsburg
Shenandoah
Fairfax
Spur 248
TO CHAPEL HILL
Robertson Rd.
S. Talley
Magnolia
BELLWOOD LAKE
Earl Campbell Parkway
New Sunnybrook
Vine
S. BROADWAY
Walton Road
Old Bullard Rd.
Copeland
Clyde
Fry
GREENBRIAR LAKE
FM RD 848
Hubbard
TROUP HWY
155
OLD JACKSONVILLE HWY
Rice
Shiloh
Carriage Dr.
Old Bullard Rd.
Camp Tyler Rd
McElroy Rd
FRANKSTON HWY
2493
Reick Rd.
Copeland
Paluxy
Grande Blvd
TO WHITEHOUSE, TROUP
TO NOONDAY / PALESTINE
Three Lakes Pkwy
S. BROADWAY
CR 164
Balsam Gap
49
TEXAS
Saline Creek Rd
CR 168
GRESHAM
FM RD 2813
TO FLINT/ BULLARD
TO JACKSONVILLE

TYLER ISD FACILITIES LOCATION (LEGEND TO MAP)

P. O. Box 2035 Tyler, TX 75710

ELEMENTARY SCHOOL CAMPUSES

1 AUSTIN ELEMENTARY SCHOOL
1105 West Franklin Street, 75702
903-262-1765

2 BELL ELEMENTARY School
1409 Hankerson Street, 75701
903-262-1820

3 BIRDWELL DUAL LANGUAGE IMMERSION SCHOOL
2010 South Talley Avenue, 75701
903-262-1870

4 BONNER ELEMENTARY SCHOOL
235 South Saunders, 75702
903-262-1920

5 CALDWELL ARTS ACADEMY
331 South College Street, 75702
903-262-2250

6 CLARKSTON ELEMENTARY SCHOOL
2915 Williamsburg Drive, 75701
903-262-1980

7 DIXIE ELEMENTARY SCHOOL
213 Patton Lane, 75704
903-262-2040

8 DOUGLAS ELEMENTARY SCHOOL
1525 North Carlyle Avenue, 75702
903-262-2100

9 GRIFFIN ELEMENTARY SCHOOL
2650 North Broadway Avenue, 75702
903-262-2310

10 JACK ELEMENTARY SCHOOL
1900 Balsam Gap Lane, 75703
903-262-3260

11 JONES ELEMENTARY SCHOOL
3450 Chandler Hwy, 75702
903-262-2360

12 ORR ELEMENTARY SCHOOL
3350 Pinehaven Road, 75702
903-262-2400

13 OWENS ELEMENTARY SCHOOL
11780 County Road 168 (Saline Creek Rd), 75703
903-262-2175

14 PEETE ELEMENTARY SCHOOL
1511 Bellwood Drive, 75701
903-262-2460

15 RAMEY ELEMENTARY SCHOOL
2000 North Forest Avenue, 75702
903-262-2505

16 RICE ELEMENTARY SCHOOL
5215 Old Bullard Road, 75703
903-262-2555

17 WOODS ELEMENTARY SCHOOL
3131 Fry Avenue, 75701
903-262-1280

MIDDLE SCHOOL CAMPUSES

18 BOULTER MIDDLE SCHOOL
2926 Garden Valley Road, 75702
903-262-139

21 HUBBARD MIDDLE SCHOOL
1300 Hubbard Drive, 75703
903-262-1560

22 MOORE MIDDLE SCHOOL
2101 Devine Street, 75701
903-262-1640

36 THREE LAKES MIDDLE SCHOOL
2445 Three Lakes Parkway, 75703
903-952-4400

K-8 Campuses

3 BIRDWELL DUAL LANGUAGE - 6-8 Grades IMMERSION SCHOOL
2010 South Talley Avenue, 75701
903-262-1870

5 CALDWELL ARTS ACADEMY 6-8 Grades
331 South College Street, 75702
903-262-2250

SPECIAL PROGRAMS

26 WAYNE D. BOSHEARS CENTER FOR EXCEPTIONAL PROGRAMS
3450 Chandler Hwy, 75702
903-262-1350

32 Tyler ISD DAEP
1501 West Connally Street, 75701
903-262-3070

ADMINISTRATION

29 ADMINISTRATION BUILDING
1319 Earl Campbell Parkway, 75701
903-262-1000

30 JIM PLYLER INSTRUCTIONAL COMPLEX
807 West Glenwood Boulevard, 75701
903-952-4000

31 GARY ADMINISTRATIVE COMPLEX
730 South Chilton Avenue, 75701
903-262-3498

33 CHRISTUS TRINITY MOTHER FRANCES ROSE STADIUM &
MIKE CARTER BASEBALL FIELD
609 Fair Park Drive, 75702
903-262-3226

34 AQUATIC CENTER
3013 Earl Campbell Parkway, 75701
903-262-3220

28 ST. LOUIS OPERATION CENTER
2800 Walton Road, 75701
903-262-1180

HIGH SCHOOL CAMPUSES

35 CAREER & TECHNOLOGY CENTER
3013 Earl Campbell Parkway, 75701
903-262-1024

27 EARLY COLLEGE HIGH SCHOOL
2800 West Shaw, 75701
903-262-3098

37 RISE ACADEMY
2800 West Shaw, 75701
903-262-3040

24 TYLER HIGH SCHOOL
3535 LIONS LANE , 75702
903-262-2850

25 TYLER LEGACY HIGH SCHOOL
4500 RED RAIDER DRIVE, 75703
903-262-2625

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Tyler Independent School District
Texas

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

August 31, 2024

Christopher P. Morrill

Executive Director/CEO

ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

The Certificate of Excellence in Financial Reporting
is presented to

Tyler Independent School District

for its Annual Comprehensive Financial Report
for the Fiscal Year Ended August 31, 2024.

The district report meets the criteria established for
ASBO International's Certificate of Excellence in Financial Reporting.

CERTIFICATE OF EXCELLENCE IN FINANCIAL REPORTING

Ryan S. Stechschulte
President

James M. Rowan, CAE, SFO
CEO/Executive Director

TYLER ISD

SUCCESSFUL STUDENT OUTCOMES

Financial Section

TYLER ISD

SUCCESSFUL STUDENT OUTCOMES

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
Tyler Independent School District
Tyler, 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 Tyler Independent School District, as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise Tyler 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 Tyler Independent School District, as of August 31, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Tyler 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.

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 Tyler 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.

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 Tyler 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 Tyler 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, 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 Tyler Independent School District's basic financial statements. The combining statements, required TEA schedules, and the Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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 Information Included in the Annual Comprehensive Financial Report

Management is responsible for the other information included in the annual comprehensive financial report (ACFR). The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2026, on our consideration of Tyler 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 Tyler 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 Tyler Independent School District's internal control over financial reporting and compliance.

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

Waco, Texas
January 22, 2026

TYLER ISD

SUCCESSFUL STUDENT OUTCOMES

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Comprehensive Financial Report, we, the managers of Tyler Independent School District ("District"), discuss and analyze the District's financial performance for the fiscal year ended August 31, 2025. Therefore, readers should also review the transmittal letter, financial statements, and the notes to the basic financial statements to further enhance their understanding of the District's financial performance.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $178.1 million (net position).

- The District's total net position increased by $16.8 million as a result of current year activities.

- At the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of $108.5 million, which is a decrease of $7.4 million from the previous year. This decrease is due almost entirely to net building expenditures in the Capital Projects Fund of $11.8 million. Other fund groups had a combined increase of $4.4 million. $48.3 million (44.5 percent) of the combined fund balance is unassigned fund balance.

- At the end of the current fiscal year, the unassigned fund balance for the General Fund represents 26.3 percent of the total General Fund expenditures. The District was able to maintain a healthy fund balance, and the District's overall financial position remained basically unchanged during the year ended August 31, 2025.

USING THIS ANNUAL REPORT

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

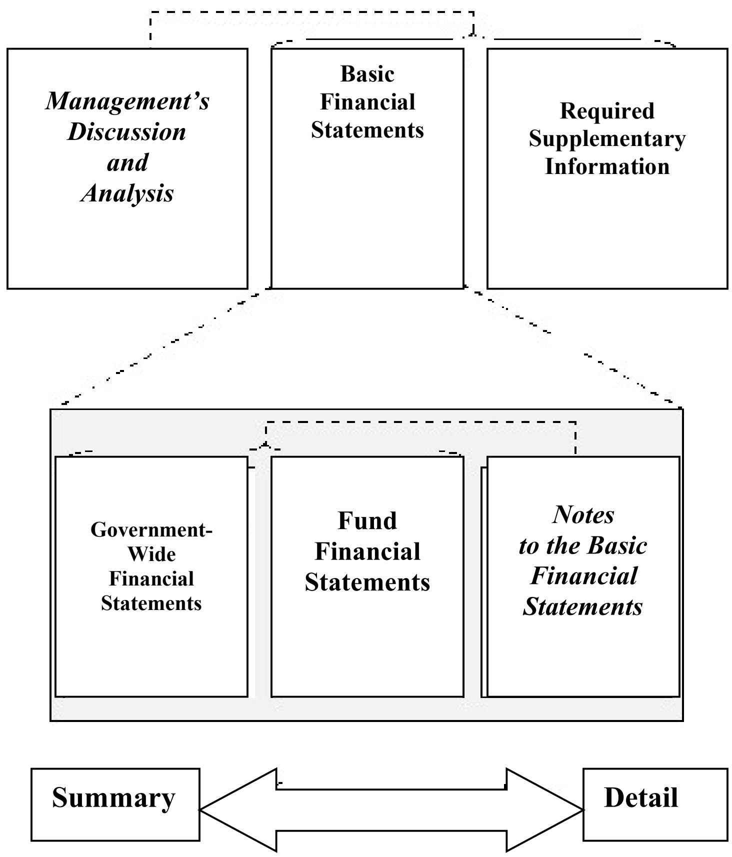
Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements account for the District's internal service funds, the Health Insurance Fund and the District Print Shop in which revenues and expenses related to services provided to organizations inside the District are accounted for on a cost reimbursement basis. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

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

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements.

The combining statements for non-major funds contain more detailed information about the District's individual funds. The sections labeled Texas Education Agency Required Schedules and Compliance Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of the grants. The Statistical Section, which is unaudited, includes selected financial and demographic information, generally presented on a multi-year basis.

Figure A-1. Required Components of the District's Financial Report



Reporting the District as a Whole

Government-Wide Financial Statements

All of the District's services are reported in the government-wide financial statements, including instruction, student support services, student transportation, general administration, school leadership, facilities acquisition and construction, and food services. Property taxes, state and federal aid, and investment earnings finance most of the activities. Additionally, all capital and debt financing activities are reported here.

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

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

The Statement of Activities details how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges.

Because the focus and measurement methods of the government-wide and fund financial statements are different, there may be some significant differences between the totals presented in these statements. For this reason, several reconciliations are presented to account for the differences between the government-wide statements and the fund financial statements.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds–not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the Every Student Succeeds Act from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District's two kinds of funds–governmental and proprietary–use different accounting approaches.

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

- Proprietary funds–The District reports the activities for which it charges users (whether outside customers or other units of the District) in Proprietary Funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. The Internal Service Funds report activities that provide supplies and services for the District's Health Insurance Fund and Print Shop.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities, Tyler Independent School District Foundation teacher grants, campus courtesy accounts, and scholarship programs. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Fund Net Position. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The net position of the District's governmental activities increased from $161.3 million to $178.1 million. Table I summarizes the District's net position at August 31, 2025, as compared to August 31, 2024.

Table I
Tyler Independent School District
NET POSITION
(In Thousands)

	August 31, 2025	August 31, 2024	Increase (Decrease)	Percent Change
Current & Other Assets	$ 130,279	$ 143,768	$ (13,489)	-9.38%
Capital Assets	591,093	590,481	612	0.10%
Total Assets	721,372	734,249	(12,877)	-1.75%
Deferred Outflow Related to TRS and Refunding	47,853	53,063	(5,210)	-9.82%
Total Deferred Outflows of Resources	47,853	53,063	(5,210)	-9.82%
Long-Term Liabilities	427,913	449,925	(22,012)	-4.89%
Net Pension Liability	64,084	69,202	(5,118)	-7.40%
Net OPEB Liability	40,539	29,496	11,043	37.44%
Other Liabilities	17,088	22,835	(5,747)	-25.17%
Total Liabilities	549,624	571,458	(21,834)	-3.82%
Deferred Inflow Related to TRS	41,500	54,566	(13,066)	-23.95%
Total Deferred Inflows of Resources	41,500	54,566	(13,066)	-23.95%
Net Position:				
Net Investment in Capital Assets	163,357	153,375	9,982	6.51%
Restricted	12,038	25,456	(13,418)	-52.71%
Unrestricted	2,706	(17,543)	20,249	115.42%
Total Net Position	$ 178,101	$ 161,288	$ 16,813	10.42%

The District has a unrestricted net position of $2.7 million as a result of adjustments made related to pensions and post-employment benefits through the Teacher Retirement System of Texas. These adjustments relate to recording the District's proportionate share of the state's liability. More details may be found in Notes N and O of the notes to the financial statements.

Net position may be restricted for a variety of uses by the District. These restrictions are imposed by bond covenants or specific laws. *Restricted net position* is available for use in the designated areas only, while *Unrestricted net position* may be used by the District to meet ongoing operating obligations as determined by the Board of Trustees.

Governmental activities for the District are summarized in Table II below which shows revenues, expenses, and the change in net position for the year ended August 31, 2025 as compared to August 31, 2024.

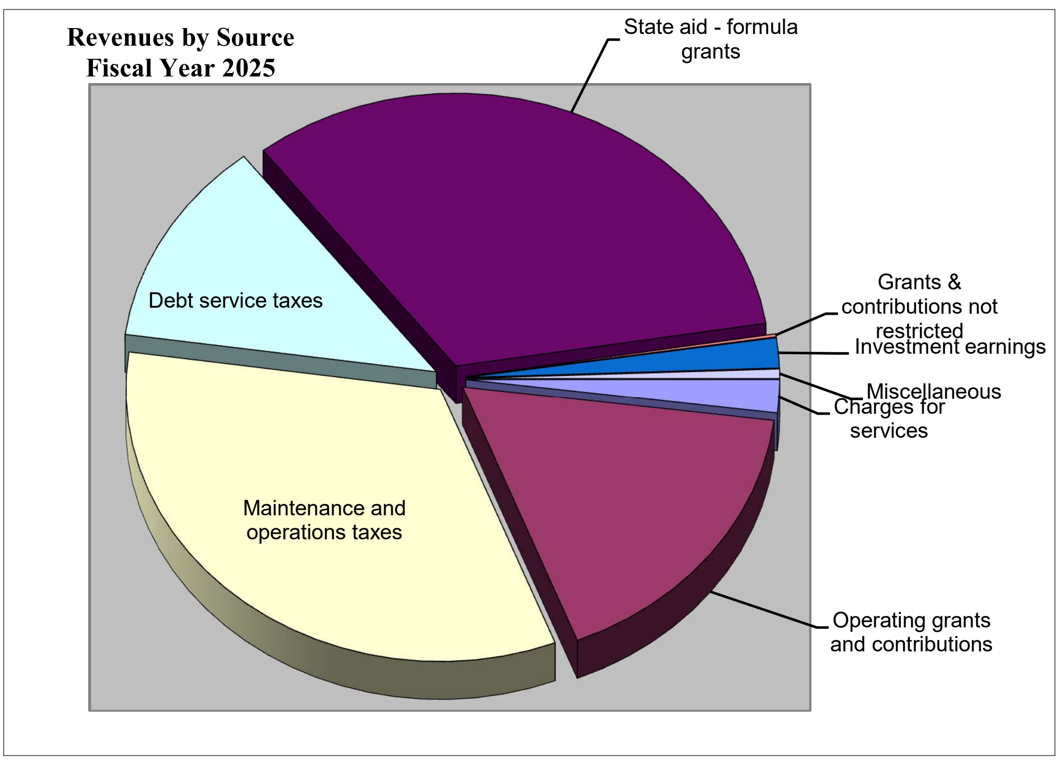
Table II
Tyler Independent School District
For the Year Ended August 31, 2025
CHANGES IN NET POSITION
(In Thousands)

	2025	2024	Increase (Decrease)	Percent Change
Revenues:				
Program Revenues:				
Charges for Services	$ 5,020	$ 4,827	$ 193	4.00%
Operating Grants and Contributions	43,351	57,372	(14,021)	-24.44%
General Revenues:				
Maintenance & Operations Taxes	84,127	79,973	4,154	5.19%
Debt Service Taxes	31,220	30,926	294	0.95%
State Aid Formula Grants	83,768	84,136	(368)	-0.44%
Grants & Contributions not Restricted	448	1,693	(1,245)	-73.54%
Investment Earnings	4,506	5,631	(1,125)	-19.98%
Miscellaneous	1,410	1,613	(203)	-12.59%
Total Revenues	253,850	266,171	(12,321)	-4.63%
Expenses:				
Instruction, Curriculum, & Media Services	132,050	148,582	(16,532)	-11.13%
Instructional & School Leadership	13,354	14,226	(872)	-6.13%
Student Support Services	17,822	18,991	(1,169)	-6.16%
Food Services	12,323	12,698	(375)	-2.95%
Extracurricular Activities	9,825	10,198	(373)	-3.66%
General Administration	6,377	7,087	(710)	-10.02%
Facilities Maintenance, Security & Data Processing	30,671	30,527	144	0.47%
Community Services	586	596	(10)	-1.68%
Debt Services	14,029	14,738	(709)	-4.81%
Shared Services Arrangements	-	287	(287)	-100.00%
Total Expenses	237,037	257,930	(20,893)	-8.10%
Increase in Net Position	16,813	8,241	8,572	104.02%
Net Position at September 1	161,288	153,047	8,241	5.38%
Net Position at August 31	$ 178,101	$ 161,288	$ 16,813	10.42%

The result of governmental activities was to increase the District's net position by $16.8 million during the current fiscal year. There were four areas of significant increase or decrease in revenues resulting in a net decrease of $12.3 million. Revenue from Operating Grants and Contributions decreased by $14.0 million which relates to the closing of the various ESSER grants and Safety and Security grants in fiscal year 2024. Revenue from Maintenance & Operations and Debt Service Taxes increased $4.2 million due to property value increases. Grants & Contributions not Restricted decreased by $1.2 million due to changes in SHARS reimbursement criteria that lowered the District's allowable claims. Investment earnings decreased $1.1 million due to market decreases in interest rates and a decrease in investments resulting from capital projects expenditures.

There were two areas of significant decrease in expenses. Instructional, Curriculum, & Media Services expenses decreased $16.5 million which was comprised of an $8.9 million decrease in ESSER grant-funded supplemental expenses, a $6.0 million decrease is health insurance expenses related to ending the self-funded plan, and a $1.9 million decrease in capital projects expenses. Student Support Services decreased by $1.2 million which related to a $1.2 million decrease in ESSER grant-funded supplemental expenses.

The District's total general revenues were $205.5 million. Property taxes make up a significant portion of this revenue. The tax levy for the 2024-2025 school year was $116.9 million compared to $112.3 million for 2023-2024. The total property tax rate decreased from $0.9600 in 2023-2024 to $0.9100 per one hundred dollar valuation in 2024-2025. The District's tax base increased from $11.0 billion to $12.0 billion.

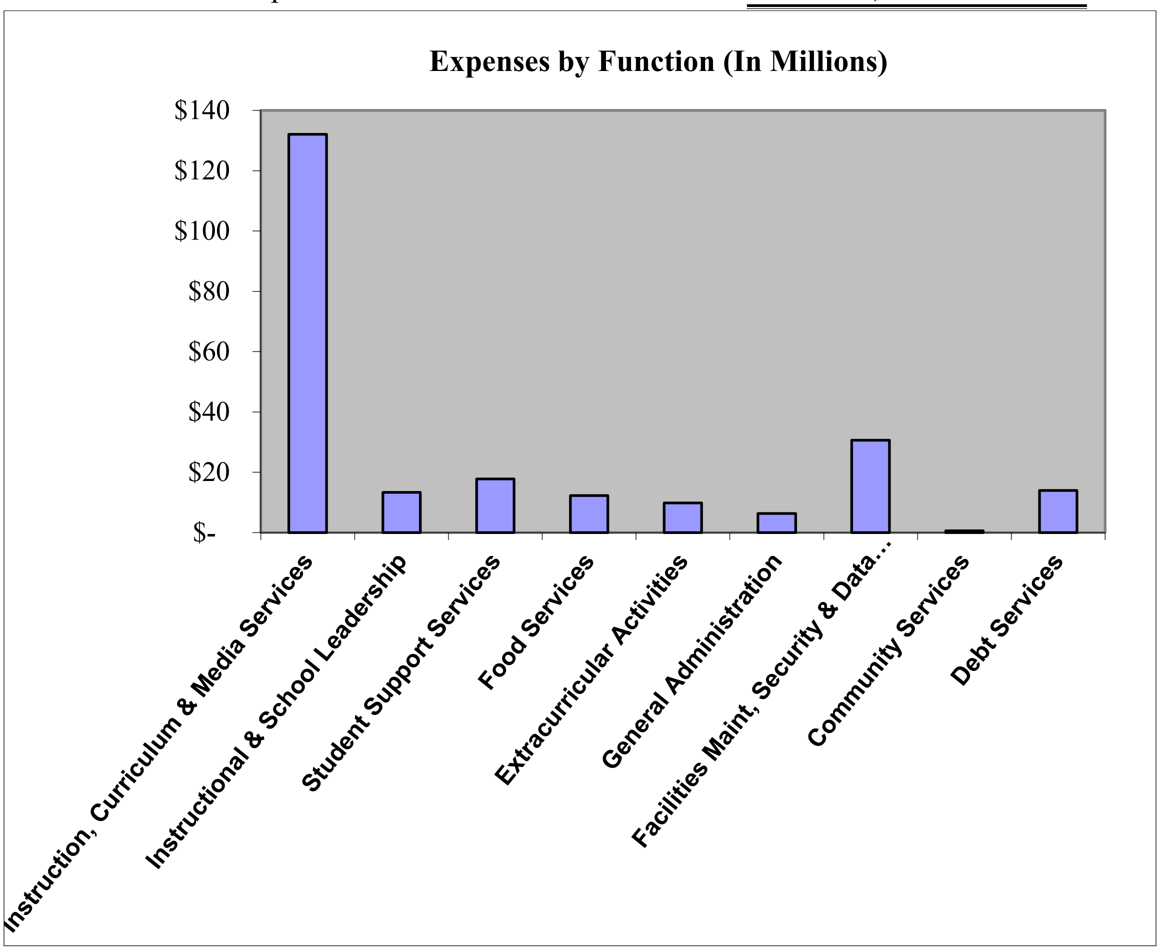


The cost of all governmental activities this year was $237.0 million. However, the amount that our taxpayers paid for these activities through property taxes was $115.3 million. Some of the cost was paid by those who directly benefited from the programs ($5.0 million), or by grants and contributions ($43.4 million), by state funding ($83.8 million), by grants and contributions not restricted ($.4 million), or by investment earnings ($4.5 million) and miscellaneous revenue ($1.4 million).

The following table illustrates that 55.7 percent of the District's expenses were due to instruction, curriculum, and media services, followed by 12.9 percent due to facilities maintenance, security, and data processing. All other categories of expenses individually total less than 10 percent of total expenses.

The following schedule of expenses (in thousands) indicates percentages by function:

Function		Amount	Percent of Total
Instruction, Curriculum & Media Services	$	132,050	55.71%
Instructional & School Leadership		13,354	5.63%
Student Support Services		17,822	7.52%
Food Services		12,323	5.20%
Extracurricular Activities		9,825	4.14%
General Administration		6,377	2.69%
Facilities Maint, Security & Data Processing		30,671	12.94%
Community Services		586	0.25%
Debt Services		14,029	5.92%
Total Expenses	$	237,037	100.00%



THE DISTRICT'S FUNDS

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

The focus of the District’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District’s financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As the District completed the year, its governmental funds reported a combined fund balance of $108.5 million, which is a decrease of $7.4 million from last year's total of $116.0 million.

Changes in fund balances for the year ended August 31, 2025 are as follows (in thousands):

Fund	Balance at August 31, 2025	Balance at August 31, 2024	Increase (Decrease)
General	$ 81,521	$ 77,982	$ 3,539
Debt Service	5,817	6,422	(605)
Non-major Funds	21,200	31,573	(10,373)
	$ 108,538	$ 115,977	$ (7,439)

The District continues to maintain a healthy financial position, as illustrated by the table above. The General fund balance improved due to careful fiscal spending and a larger-than-expected increase in average daily attendance.

The decrease of $.6 million in the Debt Service Fund is due to a decrease in state revenue and is insignificant.

The decrease of $10.4 million in the Non-major Funds Balance is mostly due to expenditures for the District’s ongoing building program (see Note G and H).

Details on the changes in Non-major Funds fund balances can be seen in the revenues and expenditures on Exhibit H-2.

Budget Variances

Over the course of the year, the Board of Trustees (the “Board”) revised the District's budget several times. Exhibit G-1 provides detail about the original and final budgets and variances between the final budget and actual amounts for the General Fund. Overall revenues were actually more than budgeted, especially comparing to the original adopted budget. Amendments to revenue were made in the area of investment earnings of $.3 million due to higher-than-expected interest rates. In addition, the budget for state revenue was increased by $4.1 million due to an increase in the average daily attendance of our students. The actual revenues only exceeded the final budgeted revenues by 2.0%, which is insignificant. Expenditures had a positive variance of $5.5 million. The majority of this variance relates to salaries. This is mostly due to the District budgeting for teachers with several years of experience; teachers hired often have less experience and that results in a positive budget variance. In addition, some vacancies were not filled due to a shortage in certain areas. Approximately $.7 million in encumbrances were outstanding at year end, and these were budgeted expenditures. The variance of $5.5 million is only 2.9% of the amended budget, and is considered insignificant.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2025, the District had $591.1 million invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net increase of $.6 million from the prior year.

This year's net changes included (in thousands):

Land	$	-
Buildings & Improvements		3,962
Furniture & Equipment		910
SBITA		289
Right-to-Use Assets		242
Construction in Process		(4,792)
Total	$	611

The District has no remaining commitments on construction projects. Detailed information about the District's capital assets is presented in the notes to the financial statements, Note G.

Debt

At year-end, the District had $388.4 million in bonds outstanding versus $409.1 million last year. Detail on the District's debt is available in Notes I and J. The District's bonds are currently rated "AAA" with an underlying rating of "AA" by Standard & Poors.

Other obligations include accrued vacation pay and sick leave, obligations related to SBITAs and Right-to-use Leases and arbitrage. A summary of the District's long-term liabilities is presented in Note I to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2025 budget preparation was projected to increase $644 million or 5 percent from 2024.

- Student enrollment was projected to increase slightly.

- The District increased the General Fund budget due mainly to salary increases: 3% of midpoint for professionals ($0.8 million), 5% of midpoint for paraprofessionals ($1.1 million), the Teacher Retention Allotment raises for teachers ($5.5 million), and the expansion of Teacher Incentive Allotment ($2.0 million).

- The Regional Day School Program for the Deaf funding of $1 million was shifted from a state grant to state formula funding resulting in an increase to the general fund expenditures budget.

- The District reduced the tax rate to $.8450; $0.65 maintenance and operations and $0.1950 debt service. The tax rate for maintenance and operations was reduced as required under changes in the state funding formula. The debt service rate was reduced because of increased property values and decreased debt obligations

If these estimates are realized, the District's budgetary General Fund balance is not expected to change significantly by the close of 2026 as HB 2 funding was granted alongside specific spending requirements.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office at Tyler Independent School District, P. O. Box 2035, 1319 Earl Campbell Parkway, Tyler, Texas 75710.

BASIC FINANCIAL STATEMENTS

EXHIBIT A-1

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

Data Control Codes		Primary Government Governmental Activities
	ASSETS	
1110	Cash and Cash Equivalents	$ 93,132,405
1120	Investments	5,971,877
1220	Property Taxes - Delinquent	6,013,148
1230	Allowance for Uncollectible Taxes (Credit)	(1,075,426)
1240	Due from Other Governments	22,368,696
1250	Accrued Interest	87,453
1290	Other Receivables, Net	331,589
1300	Inventories	196,617
1410	Prepaid Items	3,252,799
	Capital Assets:	
1510	Land	12,644,715
1520	Buildings, Net	562,712,468
1530	Furniture and Equipment, Net	10,721,507
1550	Right-to-Use Leased Assets, Net	2,040,241
1553	SBITA Assets, Net	2,473,810
1580	Construction in Progress	499,825
1000	Total Assets	721,371,724
	DEFERRED OUTFLOWS OF RESOURCES	
1701	Deferred Charge for Refunding	10,804,435
1705	Deferred Outflow Related to TRS Pension	18,340,373
1706	Deferred Outflow Related to TRS OPEB	18,707,673
1700	Total Deferred Outflows of Resources	47,852,481
	LIABILITIES	
2110	Accounts Payable	2,612,750
2140	Interest Payable	549,687
2150	Payroll Deductions and Withholdings	1,538,752
2160	Accrued Wages Payable	12,122,662
2180	Due to Other Governments	2,479
2300	Unearned Revenue	261,947
	Noncurrent Liabilities:	
2501	Due Within One Year: Loans, Note, Leases, etc.	17,305,076
	Due in More than One Year:	
2502	Bonds, Notes, Loans, Leases, etc.	410,607,829
2540	Net Pension Liability (District's Share)	64,083,973
2545	Net OPEB Liability (District's Share)	40,539,271
2000	Total Liabilities	549,624,426
	DEFERRED INFLOWS OF RESOURCES	
2605	Deferred Inflow Related to TRS Pension	3,078,560
2606	Deferred Inflow Related to TRS OPEB	38,421,165
2600	Total Deferred Inflows of Resources	41,499,725
	NET POSITION	
3200	Net Investment in Capital Assets	163,356,621
	Restricted:	
3820	Restricted for Federal and State Programs	4,984,795
3850	Restricted for Debt Service	7,045,858
3890	Restricted for Smith County Juvenile Attention Center	6,394
3900	Unrestricted	2,706,386
3000	Total Net Position	$ 178,100,054

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

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

Data Control Codes		1	3	4	6
			Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
	Primary Government:				
	GOVERNMENTAL ACTIVITIES:				
11	Instruction	$ 118,962,745	$ 1,191,544	$ 15,499,363	$ (102,271,838)
12	Instructional Resources and Media Services	2,792,226	-	93,854	(2,698,372)
13	Curriculum and Instructional Staff Development	10,295,050	-	5,213,830	(5,081,220)
21	Instructional Leadership	3,560,176	-	669,771	(2,890,405)
23	School Leadership	9,793,148	-	490,997	(9,302,151)
31	Guidance, Counseling, and Evaluation Services	8,309,515	-	1,669,516	(6,639,999)
32	Social Work Services	506,067	-	204,409	(301,658)
33	Health Services	2,570,227	-	203,929	(2,366,298)
34	Student (Pupil) Transportation	6,435,526	-	91,029	(6,344,497)
35	Food Services	12,323,463	602,435	11,560,857	(160,171)
36	Extracurricular Activities	9,825,388	3,204,152	322,576	(6,298,660)
41	General Administration	6,377,348	22,453	739,232	(5,615,663)
51	Facilities Maintenance and Operations	18,088,788	-	1,390,642	(16,698,146)
52	Security and Monitoring Services	4,681,918	-	453,075	(4,228,843)
53	Data Processing Services	7,900,533	-	40,370	(7,860,163)
61	Community Services	586,185	-	514,697	(71,488)
72	Debt Service - Interest on Long-Term Debt	14,022,862	-	4,193,355	(9,829,507)
73	Debt Service - Bond Issuance Cost and Fees	6,100	-	-	(6,100)
[TP]	TOTAL PRIMARY GOVERNMENT:	$ 237,037,265	$ 5,020,584	$ 43,351,502	(188,665,179)

Data Control Codes		
	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	84,127,157
DT	Property Taxes, Levied for Debt Service	31,219,697
SF	State Aid - Formula Grants	83,767,660
GC	Grants and Contributions not Restricted	448,189
IE	Investment Earnings	4,505,832
MI	Miscellaneous Local and Intermediate Revenue	1,409,073
TR	Total General Revenues	205,477,608
CN	Change in Net Position	16,812,429
NB	Net Position - Beginning	161,287,625
NE	Net Position - Ending	$ 178,100,054

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

EXHIBIT C-1

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

Data Control Codes		10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
	ASSETS				
1110	Cash and Cash Equivalents	$ 62,461,533	$ 5,937,681	$ 24,271,780	$ 92,670,994
1120	Investments	5,971,877	-	-	5,971,877
1220	Property Taxes - Delinquent	4,497,174	1,515,974	-	6,013,148
1230	Allowance for Uncollectible Taxes (Credit)	(788,134)	(287,292)	-	(1,075,426)
1240	Receivables from Other Governments	17,706,062	-	4,662,634	22,368,696
1250	Accrued Interest	87,453	-	-	87,453
1260	Due from Other Funds	4,990,707	-	-	4,990,707
1290	Other Receivables	171,431	29,834	130,324	331,589
1300	Inventories	196,617	-	-	196,617
1410	Prepaid Items	3,252,799	-	-	3,252,799
1000	Total Assets	$ 98,547,519	$ 7,196,197	$ 29,064,738	$ 134,808,454
	LIABILITIES				
2110	Accounts Payable	$ 990,248	$ -	$ 1,529,280	$ 2,519,528
2150	Payroll Deductions and Withholdings Payable	1,538,752	-	-	1,538,752
2160	Accrued Wages Payable	10,746,241	-	1,375,299	12,121,540
2170	Due to Other Funds	-	-	4,888,905	4,888,905
2180	Due to Other Governments	2,479	-	-	2,479
2300	Unearned Revenues	40,279	150,339	71,329	261,947
2000	Total Liabilities	13,317,999	150,339	7,864,813	21,333,151
	DEFERRED INFLOWS OF RESOURCES				
2601	Unavailable Revenue - Property Taxes	3,709,040	1,228,682	-	4,937,722
2600	Total Deferred Inflows of Resources	3,709,040	1,228,682	-	4,937,722
	FUND BALANCES				
	Nonspendable Fund Balance:				
3410	Inventories	196,617	-	-	196,617
3430	Prepaid Items	3,252,799	-	-	3,252,799
	Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	4,984,795	4,984,795
3470	Capital Acquisition and Contractural Obligation	-	-	1,978,894	1,978,894
3480	Retirement of Long-Term Debt	-	5,817,176	-	5,817,176
3490	Other Restricted Fund Balance	-	-	1,709,111	1,709,111
	Committed Fund Balance:				
3510	Preventive Maintenance Fund	-	-	12,527,125	12,527,125
3545	District Incentive Program	1,000,000	-	-	1,000,000
	Assigned Fund Balance:				
3590	Other Assigned Fund Balance	28,789,904	-	-	28,789,904
3600	Unassigned Fund Balance	48,281,160	-	-	48,281,160
3000	Total Fund Balances	81,520,480	5,817,176	21,199,925	108,537,581
4000	Total Liabilities, Deferred Inflows & Fund Balances	$ 98,547,519	$ 7,196,197	$ 29,064,738	$ 134,808,454

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

EXHIBIT C-2

Total Fund Balances - Governmental Funds	$	108,537,581
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. The net effect of this consolidation is to increase net position. (This adjustment includes right-to-use lease asset activity, details of which can be found in Notes G, I, and K.)		63,599
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. The net effect of including capital assets (net of depreciation) is to increase net position. Detail can be seen in Note G of the Notes to the Financial Statements. This adjustment does not include right-to-use lease asset activity because those assets are accounted for within the District's internal service fund and included in the adjustment for those activities.		589,052,325
3 Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet. The net effect of including long-term liabilities is to decrease net position. Detail can be seen in Note I of the Notes to the Financial Statements. This adjustment does not include liabilities related to right-to-use lease assets because those liabilities are accounted for within the District's internal service fund and included in the adjustment for those activities.		(425,670,998)
4 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of $18,340,373, a deferred resource inflow in the amount of $3,078,560, and a net pension liability in the amount of $64,083,973. This resulted in a decrease in net position.		(48,822,160)
5 Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of $18,707,673, a deferred resource inflow in the amount of $38,421,165, and a net OPEB liability in the amount of $40,539,271. This resulted in a decrease in net position.		(60,252,763)
6 Net position includes the deferred accounting loss on defeased debt which is not reflected in the fund financial statements. The net effect is an increase in net position.		10,804,435
7 Interest payable on long-term debt does not require current financial resources; therefore, it is not reported as a liability in the governmental funds balance sheet. The net effect of including interest payable is to decrease net position.		(549,687)
8 Taxes from current and prior year levies assumed to be collectible are reclassified from Unavailable Revenue - Property Taxes and increase net position. The net effect of reclassifying this deferred inflow of resources is to increase net position.		4,937,722
29 **Net Position of Governmental Activities**	$	178,100,054

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

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

Data Control Codes		10 General Fund	50 Debt Service Fund	Prior Major Capital Projects Fund *
	REVENUES:			
5700	Total Local and Intermediate Sources	$ 90,254,103	$ 31,761,562	
5800	State Program Revenues	96,659,370	4,193,355	
5900	Federal Program Revenues	1,176,992	-	
5020	Total Revenues	188,090,465	35,954,917	
	EXPENDITURES:			
	Current:			
0011	Instruction	104,038,037	-	
0012	Instructional Resources and Media Services	2,550,859	-	
0013	Curriculum and Instructional Staff Development	5,030,119	-	
0021	Instructional Leadership	2,437,588	-	
0023	School Leadership	9,019,520	-	
0031	Guidance, Counseling, and Evaluation Services	6,527,148	-	
0032	Social Work Services	293,658	-	
0033	Health Services	2,353,359	-	
0034	Student (Pupil) Transportation	7,762,444	-	
0035	Food Services	-	-	
0036	Extracurricular Activities	7,108,750	-	
0041	General Administration	4,378,860	-	
0051	Facilities Maintenance and Operations	15,209,558	-	
0052	Security and Monitoring Services	4,226,550	-	
0053	Data Processing Services	7,113,357	-	
0061	Community Services	39,613	-	
	Debt Service:			
0071	Principal on Long-Term Liabilities	616,602	20,790,000	
0072	Interest on Long-Term Liabilities	7,607	15,763,164	
0073	Bond Issuance Cost and Fees	-	6,100	
	Capital Outlay:			
0081	Facilities Acquisition and Construction	2,614,625	-	
	Intergovernmental:			
0093	Payments to Fiscal Agent/Member Districts of SSA	404,782	-	
0099	Other Intergovernmental Charges	1,730,498	-	
6030	Total Expenditures	183,463,534	36,559,264	
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	4,626,931	(604,347)	
	OTHER FINANCING SOURCES (USES):			
7912	Sale of Real and Personal Property	46,593	-	
7915	Transfers In	675,450	-	
7949	Other Resources	1,779,153	-	
8911	Transfers Out (Use)	(3,589,794)	-	
7080	Total Other Financing Sources (Uses)	(1,088,598)	-	
1200	Net Change in Fund Balances	3,538,333	(604,347)	
0100	Fund Balance - Beginning as previously reported	77,982,147	6,421,523	13,823,328
1300	Adjustments - Change within financial reporting entity	-	-	(13,823,328)
	Fund balance- Beginning, as restated	77,982,147	6,421,523	-
3000	Fund Balance - Ending	$ 81,520,480	$ 5,817,176	$ -

* Formerly a major fund
The notes to the financial statements are an integral part of this statement.

Other Funds	Total Governmental Funds
$ 6,098,926	$ 128,114,591
2,936,408	103,789,133
27,807,535	28,984,527
36,842,869	260,888,251
10,940,287	114,978,324
62,045	2,612,904
5,107,213	10,137,332
1,003,338	3,440,926
522,186	9,541,706
1,555,366	8,082,514
194,672	488,330
158,336	2,511,695
41,725	7,804,169
11,660,246	11,660,246
2,309,163	9,417,913
99,287	4,478,147
1,812,366	17,021,924
331,212	4,557,762
106	7,113,463
514,751	554,364
278,914	21,685,516
25,933	15,796,704
-	6,100
13,512,995	16,127,620
-	404,782
-	1,730,498
50,130,141	270,152,939
(13,287,272)	(9,264,688)
-	46,593
3,589,794	4,265,244
-	1,779,153
(675,450)	(4,265,244)
2,914,344	1,825,746
(10,372,928)	(7,438,942)
17,749,525	115,976,523
13,823,328	-
31,572,853	115,976,523
$ 21,199,925	$ 108,537,581

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

Total Net Change in Fund Balances - Governmental Funds	$ (7,438,942)
Internal service funds are used by the District to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. Including the net income of the internal service funds decreases the change in net position.	(29,280)
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 and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period, resulting in an increase in the change in net position. For the detail on cost and depreciation for acquisitions, see Note G.	512,313
The net effect of retirements of capital assets is to decrease the change in net position.	(142,855)
Tax revenue is reported in the government-wide statement of activities and changes in net assets, but a portion of the revenue does not provide current financial resources. The current adjustment reflects a net increase in the deferral of the revenue, resulting in a decrease in the change in net position.	(270,582)
Repayment of principal consumes the current financial resources of governmental funds. This adjustment includes those principal payments along with other debt related adjustments such as amortization of bond premium/discount, amortization of the deferred charge on refunded bonds, and the net effect of bond refunding activity. The net impact of these debt related adjustments is to increase the change in net position.	21,603,561
Some expenses in the statement of activities do not require the use of current financial resources; therefore, they are not reported as expenditures in the governmental funds. This amount reflects the change in accrued liability for compensated absences, resulting in an increase in the change in net position.	3,846
Accrued interest expense on long-term debt is reported in the government-wide statement of activities but does not require the use of current financial resources. Therefore, accrued interest is not reported as an expenditure in the governmental funds. Including the change at year end in this accrued interest increases the change in net position.	23,341
GASB 68 (related to pensions) 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 $5,893,094. 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 the change in net position totaling $5,909,762. 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 $3,531,824. The net result is a decrease in the change in net position.	(3,548,492)
GASB 75 (related to post-employment benefits other than pensions) 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 $1,182,326. 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 the change in net position totaling $1,212,803. Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded.The net OPEB expense decreased the change in net position by $6,129,996. The net result is an increase in the change in net position.	6,099,519
Change in Net Position of Governmental Activities	$ 16,812,429

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

EXHIBIT D-1

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

	Governmental Activities - Total Internal Service Funds
ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 461,412
Total Current Assets	461,412
Noncurrent Assets:	
Capital Assets:	
Right-to-Use Lease Asset	3,375,930
Depreciation on Lease Asset	(1,335,689)
Total Noncurrent Assets	2,040,241
Total Assets	2,501,653
LIABILITIES	
Current Liabilities:	
Accounts Payable	93,221
Right-to-Use Lease Liability Payable	768,154
Accrued Wages Payable	1,122
Due to Other Funds	101,802
Total Current Liabilities	964,299
Noncurrent Liabilities:	
Right-to-Use Lease Liability - Long Term	1,473,753
Total Noncurrent Liabilities	1,473,753
Total Liabilities	2,438,052
NET POSITION	
Net Investment in Capital Assets	(201,667)
Unrestricted Net Position	265,268
Total Net Position	$ 63,601

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

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

	Governmental Activities - Total Internal Service Funds
OPERATING REVENUES:	
Charges for Services	$ 1,006,705
Total Operating Revenues	1,006,705
OPERATING EXPENSES:	
Payroll Costs	84,373
Professional and Contracted Services	18,440
Supplies and Materials	104,794
Depreciation Expense	750,406
Debt Service	101,532
Total Operating Expenses	1,059,545
Operating Income (Loss)	(52,840)
NONOPERATING REVENUES (EXPENSES):	
Earnings from Temporary Deposits & Investments	11,623
Gain on Early Termination of Lease Payable	11,939
Total Nonoperating Revenues (Expenses)	23,562
Change in Net Position	(29,278)
Total Net Position - September 1 (Beginning)	92,879
Total Net Position - August 31 (Ending)	$ 63,601

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

EXHIBIT D-3

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

	Governmental Activities - Total Internal Service Funds
Cash Flows from Operating Activities:	
Cash Received from User Charges	$ 1,006,705
Cash Payments to Employees for Services	(83,966)
Cash Payments for Insurance Claims	(2,345,265)
Cash Payments for Suppliers	(179,008)
Cash Payments for Other Funds	101,802
Net Cash Used for Operating Activities	(1,499,732)
Cash Flows from Capital & Related Financing Activities:	
Acquisition of Right to Use Leases	(82,075)
Payments on Leases	(785,119)
Net Cash Provided by (Used for) Capital & Related Financing Activities	(867,194)
Cash Flows from Investing Activities:	
Interest and Dividends on Investments	11,623
Net Decrease in Cash and Cash Equivalents	(2,355,303)
Cash and Cash Equivalents at Beginning of Year	2,816,715
Cash and Cash Equivalents at End of Year	$ 461,412
Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities:	
Operating Income (Loss):	$ (52,840)
Adjustments to Reconcile Operating Income to Net Cash Used for Operating Activities:	
Depreciation	750,406
Effect of Increases and Decreases in Current Assets and Liabilities:	
Increase (decrease) in Accounts Payable	(55,774)
Increase (decrease) in Accrued Wages Payable	407
Increase (decrease) in Right to Use Leases	101,532
Increase (decrease) in Accrued Expenditures	(2,345,265)
Increase (decrease) in Due to Other Funds	101,802
Net Cash Used for Operating Activities	$ (1,499,732)

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

EXHIBIT E-1

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

	Private Purpose Trust Fund	Total Custodial Funds
ASSETS		
Cash and Cash Equivalents	$ 19,058	$ 140,626
Restricted Assets	-	20,610
Total Assets	19,058	$ 161,236
LIABILITIES		
Accounts Payable	-	11,307
Total Liabilities	-	11,307
NET POSITION		
Restricted for Student Groups	-	129,175
Restricted for Scholarships	19,058	-
Restricted for Other Purposes	-	20,754
Total Net Position	$ 19,058	$ 149,929

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

EXHIBIT E-2

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

	Private Purpose Trust Fund	Total Custodial Funds
ADDITIONS:		
Donations	$ 19,150	$ 140,424
Enterprising Services Revenue	-	164,586
Total Additions	19,150	305,010
DEDUCTIONS:		
Scholarships	20,900	-
Community Support Activities	-	133,065
Student Group Activities	-	119,098
Campus Support Activities	-	43,860
Total Deductions	20,900	296,023
Change in Fiduciary Net Position	(1,750)	8,987
Total Net Position - September 1 (Beginning)	20,808	140,942
Total Net Position - August 31 (Ending)	$ 19,058	$ 149,929

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

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Tyler Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven-member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with Generally Accepted Accounting Principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in **GASB Statement No. 56**, and it complies with the requirements of the appropriate version of Texas Education Agency's ***Financial Accountability System Resource Guide*** (FASRG) and the requirements of contracts and grants of agencies from which it receives funds.

REPORTING ENTITY

The Board of Trustees (the "Board') consists of seven members and has governance responsibility over all activities related to public elementary and secondary schools' education within the jurisdiction of the Tyler Independent School District (the "District"). Board members are elected by the public and have the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters.

In evaluating how to define the government for financial reporting purposes, the District's management has considered all potential component units. By applying the criteria set forth in Generally Accepted Accounting Principles (GAAP), the District has determined that no other organizations require inclusion in its reporting entity.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Tyler Independent School District non-fiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes and intergovernmental revenues.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. All capital asset depreciation is reported as a direct expense of the functional program that benefits from the use of the capital assets. Program revenues include: 1) charges for services and tuition charged by a given function and 2) grants and contributions that are restricted to meeting operational requirements of a particular function. Taxes, state aid, grants, and contributions not restricted to specific programs are properly excluded from program revenues and reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. In accordance with the provisions of GASB Statement No. 34, the fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Interfund activities between governmental funds and between governmental funds and proprietary funds appear as due to/due from on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other resources and other uses on the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and on the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position. For the most part, the effect of interfund activity has been removed from the government-wide statements, although interfund services provided and used are not eliminated in the process of consolidation.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are nonoperating.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

Government-wide Financial Statements

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

Fund Financial Statements

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. However, debt service expenditures and claims and judgments are recorded only when matured and payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources. The expenditures related to certain compensated absences and claims and judgments are recognized when amounts are due and payable. Proprietary fund statements are reported using the economic resources measurement focus and the accrual basis of accounting. Fiduciary fund statements are reported using the economic resources measurement focus and the accrual basis of accounting.

FUNDS

The District's accounting system is organized and operated with the use of funds, each of which is a separate accounting entity with a self-balancing set of accounts. The District's resources are allocated to and accounted for in individual funds based on the intended purposes for spending and the means by which spending activities are controlled. As required by the Texas Education Agency, the following fund types are included in the financial statements:

Governmental Funds

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use, and balances of the District's expendable financial resources, and the related liabilities are accounted for through governmental funds. The following are the District's major governmental funds:

General Fund – The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. Major revenue sources include local property taxes, state funding under the Foundation School Program and interest earnings. Expenditures include all costs associated with the daily operations of the District except for specific programs funded by the federal or state government, food service, debt service and capital projects. The General Fund is a budgeted fund, and any fund balances are considered resources available for current operations.

Debt Service Funds – The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund, which is a budgeted fund. Revenues include collections on property taxes and earnings on investments of the fund. The fund balance represents amounts that will be used for retirement of bonds and payment of interest in the future.

Additionally, the District reports the following fund types:

Capital Projects Funds – The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund. Furniture, supplies, and equipment needed at new schools are also included.

Special Revenue Funds – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Proprietary Funds

Proprietary Funds are used to account for operations that are financed in a manner similar to those found in the private sector, where the determination of net income is appropriate for sound financial administration.

Internal Service Funds – Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in an internal service fund. These funds facilitate distribution for employee health costs and the copier costs internally. These are not budgeted funds.

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

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as a custodian for individuals, private organizations and/or other funds.

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

Custodial Funds – The District accounts for resources held for others in a custodial capacity in custodial funds. The District's Custodial Funds are Student Activity funds and Tyler ISD Foundation awards. Custodial funds use the accrual basis of accounting to recognize assets and liabilities. The Custodial Funds exist with the explicit approval of, and are subject to revocation by, the Board.

Management's Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Stewardship, Compliance, and Accountability

The District is required by law to prepare and file a budget with the Texas Education Agency (TEA). Activities of the General Fund, National School Breakfast and Lunch Program, and Debt Service Fund are included in the District's formally adopted budget. The District is required to present the adopted and final amended budgeted revenues and expenditures and actual revenues and expenditures for the General Fund, National School Breakfast and Lunch Program and Debt Service Fund. These budgets are in the financial section of the Annual Comprehensive Financial Report.

Pensions

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

Other Post-Employment Benefits (OPEB)

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

ASSETS, LIABILITIES, AND DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Cash, Cash Equivalents and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of 3 months or less from the date of acquisition. All investments in pools are considered cash equivalents.

Investments with maturities at the time of acquisition of over 12 months are recorded at fair value. Fair value is determined by the amount by which a financial instrument could be exchanged in a current transaction between willing parties. The District accrues interest on temporary investments based on the terms and effective interest rates of the specific investments. See Note B for additional discussion.

Inventories and Prepaid Items

The consumption method is used to account for inventories of supplies. Under this method, these items are carried in an inventory account of the respective fund at cost, using the weighted-average method of accounting and are subsequently charged to expenditures when consumed. Inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory on the date received. Prepaid items on the balance sheet are accounted for using the consumption method and are recognized as expenditures over the periods in which the service is provided. In the governmental fund, inventories and prepaid items are reported as non-spendable fund balance.

Capital Assets

Capital assets, which include land, buildings, furniture and equipment, and right-to-use lease assets are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the District as assets with an estimated useful life in excess of one year with an initial, individual cost of more than $5,000 or an initial, individual cost of more than $1,000 for group asset purchases greater than $100,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value rather than fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Buildings, furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	50
Building Improvements	10-20
Vehicles	5-10
Office Equipment	3-15
Computer Equipment	5
Lease & SBITA Equipment	Lease term

Land and construction in progress are not depreciated.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in the accounting system in order to reserve the portion of the applicable appropriation, is employed in the Governmental Fund Types on the governmental fund financial statements. Encumbrances which have not been liquidated are reported as assigned fund balances.

Restricted and Unrestricted Assets

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

Long-term Liabilities

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

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

Compensated Absences

It is the District's policy to permit some employees to accumulate earned but unused sick pay benefits. A liability is reported for the amount of accumulated leave that the District estimates is more likely than not to be used or settled through other means in a future reporting period. The District applies a last-in, first-out (LIFO) flow assumption to is accumulated vacation leave, and the related liability is not material to the financial statements.

Data Control Codes

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

GASB 87 Leases

In the fiscal year 2022 GASB 87 pronouncements were implemented by the District. GASB Statement No.87, Leases, was issued in June 2017 and provides better information of financial statements to the users by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

Lessee

The District is a lessee for noncancellable leases of copiers. The District recognizes a lease liability, reported with long-term debt, and a right-to-use lease asset reported with other capital assets, in the government-wide and proprietary fund 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 shorter of the lease term or its useful life.

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

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease payments included in the measurement of the lease liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or a rate, purchase option price that the District is reasonably certain to exercise, lease incentives receivable from the lessor, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

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

GASB 96 SBITA (Subscription Based Information Technology Arrangements)

In the fiscal year 2023, GASB Statement 96 was implemented by the District. A SBITA is defined as a contract that conveys control of the right to use another party's (an SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

Under this Statement, the District recognizes a right-to use subscription asset—an intangible asset—and a corresponding subscription liability at the commencement of the subscription term when the subscription asset is placed into service. The subscription liability is initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments are discounted using the incremental borrowing rate.

The District recognizes amortization of the principal payment on the subscription liability as an outflow of resources.

Interfund Transactions

Advances between funds are accounted for in the appropriate interfund receivable and payable accounts. All legally authorized transfers are appropriately treated as transfers and are included in the results of operations. Such balances are eliminated within the governmental activities for the government-wide financial statements.

Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position includes a separate section for deferred outflows of resources which represents a consumption of net assets that applies to a future period(s) and therefore, will not be recognized as an outflow of resources (expenses/expenditures) until then. Included in this category are deferred losses on refundings, TRS pension costs, and TRS OPEB costs.

In addition to liabilities, the Statement of Net Position includes a separate section for deferred inflows of resources which represents an acquisition of net assets that applies to a future period(s) and therefore, will not be recognized as an inflow of resources (revenue) until then. Included in this category are TRS Pension and OPEB. The Governmental Funds Balance Sheet also includes a section for deferred inflows of resources. Unavailable revenue is reported as deferred inflows of resources only in the Governmental Funds Balance Sheet.

NET POSITION AND FUND BALANCES

Government-wide Financial Statements

Net position represents the difference between the sum of assets and deferred outflows of resources and the sum of liabilities and deferred inflows of resources. The District's net position is composed of the following:

Net Investment in Capital Assets – the component of net position that reports capital and right-to-use lease assets less both the accumulated depreciation and the outstanding balance of debt that is directly attributable to the acquisition, construction, or improvement of these assets.

Restricted for Federal and State Programs – the component of net position that reports the difference between assets and liabilities of the Federal and State special revenue programs that consists of assets with constraints placed on their use by the Department of Education, Health and Human Service, Labor, Agriculture, or TEA.

Restricted for Debt Service – the component of net position that reports the difference between assets and liabilities of the Debt Service Fund adjusted on a government-wide basis that consists of assets with constraints placed on their use by the bond covenants.

Restricted for Other Purposes – the component of net position that reports the difference between assets and liabilities of the Restricted for Other Purposes funds at August 31, that consists of assets with constraints placed on their use by external parties.

Unrestricted – the difference between the assets and liabilities that are not reported in net position invested in capital assets and right-to-use lease assets, net position restricted for federal and state programs, net position restricted for debt service, and net position restricted for other purposes.

The District reported a positive unrestricted net position in the amount of $2,706,386. This amount has historically been a deficit due to the implementation of the Governmental Accounting Standards Board (GASB) Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

Governmental Fund Financial Statements

In the fund financial statements, governmental funds report fund balances as either a non-spendable fund balance or a spendable fund balance.

Non-spendable fund balance

Non-spendable fund balance is that portion of fund balance that is not expendable (such as inventories) or is legally earmarked for a specific use. Non-spendable fund balance reserves include inventories and prepaid items.

Spendable Fund Balance

Spendable fund balance is the portion of fund balance that is comprised of restricted, committed, assigned, and unassigned fund balances.

Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance - amounts constrained to specific purposes by the Board, using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the Board takes the same highest level action to remove or change the constraint.

Assigned fund balance - amounts the Board intends to use for a specific purpose. Intent can be expressed by the Superintendent or Deputy Superintendent of Finance and Operations, through which the Board has delegated the authority. Fund balance assignments in the General Fund as of August 31, 2025 were:

Instructional sustainment	$ 2,500,000
Various maintenance projects/construction	18,750,000
Capital outlay needs	5,000,000
Arbitrage	1,162,736
Enrollment growth expenditures	250,000
Encumbrances	664,825
Technology devices for staff	462,343
	$ 28,789,904

Unassigned fund balance - amounts that are available for any purpose. This portion of the total fund balance in the general fund is available to finance operating expenditures. The general fund is the only fund that reports a positive unassigned fund balance amount. However, in other governmental funds, if expenditures incurred for a specific purpose exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

The Board establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). When it is appropriate for fund balance to be assigned, the Board delegates authority to the Superintendent or the Chief Financial Officer (such as the purchase of capital assets, construction, debt service, or for other purposes). In the general fund, the District strives to maintain an unassigned fund balance to be used for working capital and a margin of safety to address local and regional emergencies of approximately three months of operating expenses.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

Encumbrances - Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

General Fund	$ 664,825
Special Revenue Fund	77,258
Capital Projects Fund	301,503
Custodial Fund	60
	$ 1,043,646

CHANGE IN ACCOUNTING PRINCIPLE

GASB Statement No. 101, *Compensated Absences* (GASB 101), improves the information needs of financial statements users by updating the recognition and measurement guidance for compensated absences under a unified model and amending certain previously required disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2023, with earlier application encouraged. GASB 101 was implemented in the District's fiscal year 2025 financial statements with no impact to amounts or disclosures previously reported.

NOTE B: CASH, CASH EQUIVALENTS AND INVESTMENTS

District Policies and Legal and Contractual Provisions Governing Deposits

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. The depository bank for the District is Southside Bank. The depository bank deposits for safekeeping and trust with the Federal Home Loan Bank of Dallas, under a tri-party collateral agreement between the District, the depository bank and the Federal Home Loan Bank of Dallas. The Federal Home Loan Bank of Dallas deposits approved pledged securities, as authorized by Chapter 2257, Collateral for Public Funds of the Government Code, in an amount sufficient to protect the District's funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") coverage. In order to maximize return on cash balances, the District uses consolidated bank accounts from which all disbursements are made, with cash in excess of the District's total daily requirement being invested for future needs.

At August 31, 2025, the net carrying amount of the District's demand deposits was $10,227,678. The bank balance of $12,233,625 was fully covered on August 31, 2025, by a combination of federal deposit insurance through the FDIC and collateralization by securities held by the District's depository in joint safekeeping at the Federal Home Loan Bank of Dallas in the District's name. Because these securities are held in trust on behalf of the district, the deposits are deemed collateralized under Texas law.

Custodial Credit Risk for Deposits - State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the District complies with this law, it has no custodial credit risk for deposits.

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

District Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act

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

Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) banker's acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and commercial paper. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in compliance with the requirements of the Act and with local policies.

The Public Funds Investment Act requires an annual review and approval of investment policies and practices. Audit procedures in the area are conducted as a part of the overall audit, and focus on the areas of investment practices, management reports and establishment of appropriate policies. The District materially adhered to the requirements of the Public Funds Investment Act. Additionally, investment practices of the District were in accordance with local policies.

The District's investments in public funds investment pools include those with the Lone Star Investment Pool ("LSIP"), both the Government Overnight and Corporate Overnight Plus funds, and TexasTERM. The fair value of the District's position in the above pools is the same as the value of the pool shares.

LSIP is a public funds investment pool created pursuant to the Interlocal Cooperation Act of the State of Texas, Article 4413(32c), Vernon's Texas Civil Statutes, as amended, and is designed to provide participating local governments with investment vehicles for local funds that may be required for immediate expenditure. The primary objective of the LSIP is to emphasize the importance of safety of principal and liquidity of pool assets. Investment advisory services are provided by American Beacon Advisors and Standish Mellon Asset Management Company. First Public LLC provides administrative and distribution services to the pool and State Street Bank and Trust is the custodian for all pool assets.

TexasTERM is organized in conformity with Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. TexasTERM's investment advisor is PFM Asset Management LLC. The custodial account is managed by U.S. Bank N.A.

As of August 31, 2025, Tyler Independent School District had the following cash equivalents and investments:

Investment Type	Carrying Value - Investment Maturities (in years) Fair Value	Less than 1	1 - 5	Credit Rating
Cash Equivalents				
Money Market/Demand Deposits	$ 10,280,801	$ 10,280,801	$ -	
Investment Pools:				
Lone Star Investment Pool	29,901,897	29,901,897	-	AAAm
Texas Range	53,001,971	53,001,971	-	AAAm
Total Cash Equivalents	$ 93,184,669	$ 93,184,669	$ -	
Investments				
United States Treasury Notes	$ 5,971,877	$ 1,957,292	4,014,585	Aa1
Total Investments	$ 5,971,877	$ 1,957,292	$ 4,014,585	

In accordance with the provisions of GASB Statement No. 31, the District's investments with a maturity date of greater than one year have been recorded at fair value based upon quoted market prices as of August 31, 2025, with increase or decrease in fair value being recorded as a component of earnings on investments. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72 provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure assets and liabilities. Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date. Level 2 inputs are inputs-other than quoted prices included within Level 1-that are observable for an asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for an asset or liability. Above, the municipal bonds and federal agency coupon securities are valued using Level 2 inputs that are based on market data obtained from independent sources. As of August 31, 2025, all of the District's investments were valued at Level 1 inputs.

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

Credit Risk - Credit risk is the possibility of loss occurring due to the inability of an investment instrument to meet financial obligations. As of August 31, 2025, investments were diversified in local government investment pools, mutual funds, certificates of deposit, taxable municipal bonds, and agencies with sufficient credit ratings to reduce the probability of loss and comply with the District's investment policy.

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

Concentration of Credit Risk - The District's investment portfolio is diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity or specific issuer.

Interest Rate Risk - In accordance with the District's investment policy, investments are made in a manner that ensures the preservation of capital in the overall portfolio, and offsets during a twelve-month period any market price losses resulting from interest-rate fluctuations by income received from the balance of the portfolio. The District's investment strategy states that no individual transaction shall be undertaken that jeopardizes the total capital position of the overall portfolio.

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

NOTE C: LOCAL REVENUES AND PROPERTY TAXES

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

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Property Taxes	$ 84,739,225	$ 30,878,211	$ -	$ 115,617,436
Penalties, Interest and Other Tax-Related Income	1,097,362	311,712	-	1,409,074
Interest Income	3,587,723	571,639	1,309,434	5,468,796
Tuition and Services to Other Districts	528,662	-	-	528,662
SSA - Revenue Member Districts	-	-	1,075,521	1,075,521
Food Sales	-	-	598,693	598,693
Rental Income	67,342	-	43,878	111,220
Co-Curricular Student Activities	-	-	1,744,872	1,744,872
Gifts and Bequests	-	-	219,420	219,420
Athletic Activity	213,239	-	751,692	964,931
Other	20,550	-	355,416	375,966
Total	$ 90,254,103	$ 31,761,562	$ 6,098,926	$ 128,114,591

Property Taxes – The appraisal of property within the District is the responsibility of the Smith County Appraisal District. Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year. However, amounts collected during the 60-day period after year-end are not considered material to the financial statements and are not reported.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. The Texas Property Tax Code directs tax collectors to cancel and remove from the tax rolls real property taxes that have been delinquent more than 20 years and personal property taxes that have been delinquent more than 10 years. Additionally, the Texas Property Tax Code provides that personal property may not be seized and a suit may not be filed to collect a tax on personal property that has been delinquent more than four years.

NOTE D: RECEIVABLES FROM OTHER GOVERNMENTS

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

	State Entitlements	Federal Grants	Total
General Fund	$ 17,706,062	$ -	$ 17,706,062
Nonmajor Governmental Funds	555,533	4,107,101	4,662,634
Total	$ 18,261,595	$ 4,107,101	$ 22,368,696

State Aid Revenue

The District has accrued state aid revenue of $6,643,257 in the general fund, to reflect cash that will be received in fiscal year 2026, which was generated by attendance and the type of instructional services provided in fiscal year 2025. The receivable from the state was increased by $11,062,805 to reflect an anticipated TEA final fiscal year 2025 settle-up adjustment that will occur in fiscal year 2026. The total receivable is $17,706,062 as shown in the table above.

The Texas Education Agency, through its application of state law, allocates state revenues to school districts by formula allocation. The District receives two allocations – a per capita allocation and a foundation program allocation. The District also recognizes revenues for the state's share of the contributions to the Teacher Retirement System of Texas. See Note N for additional information on the employees' retirement plan. Other state revenues are received through other state miscellaneous programs on an allocated basis. The components of state aid as shown in the governmental fund financial statements are as follows:

Revenues	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Per Capita Revenues	$ 10,026,363	$ -	$ -	$ 10,026,363
Foundation Fund Revenues	76,856,383	-	-	76,856,383
Other State Revenues	1,253	4,193,355	2,936,408	7,131,016
TRS On-Behalf/Salaries and Fringe Benefits	9,775,371	-	-	9,775,371
Total State Aid	$ 96,659,370	$ 4,193,355	$ 2,936,408	$ 103,789,133

NOTE E: INTERFUND BALANCES AND TRANSFERS

Interfund balances at August 31, 2025 consisted of the following amounts. All interfund balances are expected to be repaid within one year.

Due to General Fund from:	
Nonmajor Governmental Funds (Capital Projects)	$ 7,605
Nonmajor Governmental Funds (Special Revenue)	4,881,300
Health Insurance Fund	101,802
Total	$ 4,990,707

These interfund balances resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and/or payments between funds are made. Many of the nonmajor governmental funds are state and federal grants which are funded on a reimbursement basis. The general fund pays for the goods or services and is owed a reimbursement from the state through these special revenue funds.

Interfund transfers are defined as flows of assets without equivalent flows of assets in return and without a requirement for repayment. Interfund transfers for the year ended August 31, 2025, consisted of the following individual amounts:

Transfer to General Fund from:	
Nonmajor Governmental Funds (Special Revenue)	$ 675,450
Transfer to Nonmajor Governmental Funds (Special Revenue)	
General Fund	3,589,794
Total	$ 4,265,244

The transfer from the nonmajor governmental funds to the General Fund was a transfer from athletics activity fund for $95,041 for the Mike Carter playing surface and Rose Stadium scoreboard, and a transfer from the Food Service Fund for indirect cost charges of $580,409.

The transfer from the General Fund to the nonmajor governmental funds was $3,589,794 for preventive maintenance projects.

NOTE F: UNEARNED REVENUE

Governmental funds defer revenue recognition in connection with resources that have been received but not yet earned. Unearned revenue at year end consisted of the following:

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Athletic Receipts	$ 40,279	$ -	$ 857	$ 41,136
Food Service Student Account Balances	-	-	70,472	70,472
State Revenue	-	150,339	-	150,339
Total Unearned Revenue	$ 40,279	$ 150,339	$ 71,329	$ 261,947

NOTE G: CAPITAL ASSET ACTIVITY

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

	Primary Government				
	Beginning Balance	Additions	Reclassi-fications	Retirements	Ending Balance
Governmental Activities:					
Capital Assets, not being depreciated/amortized					
Land	$ 12,644,715	$ -	$ -	$ -	$ 12,644,715
Construction in Progress	5,291,499	499,825	(5,291,499)	-	499,825
Total Capital Assets, not being depreciated/amortized	17,936,214	499,825	(5,291,499)	-	13,144,540
Capital Assets, being depreciated/amortized					
Buildings and Improvements	720,981,937	15,635,055	5,291,499	(5,881,264)	736,027,227
Furniture and Equipment	39,316,566	3,389,024	-	(2,223,801)	40,481,789
Right-to-Use Assets - Equipment	3,535,826	1,033,560	-	(1,193,456)	3,375,930
SBITA	2,987,485	1,779,153	-	(82,894)	4,683,744
Total Capital Assets being depreciated/amortized	766,821,814	21,836,792	5,291,499	(9,381,415)	784,568,690
Less Accumulated Depreciation/Amortization					
Buildings and Improvements	(162,231,273)	(16,821,895)	-	5,738,409	(173,314,759)
Furniture and Equipment	(29,505,033)	(2,479,050)	-	2,223,801	(29,760,282)
Right-to-Use Assets - Equipment	(1,737,556)	(750,406)	-	1,152,273	(1,335,689)
SBITA	(803,029)	(1,489,799)	-	82,894	(2,209,934)
Total Accumulated Depreciation/Amortization	(194,276,891)	(21,541,150)	-	9,197,377	(206,620,664)
Total Capital Assets Being Depreciated/Amortized, Net	572,544,923	295,642	5,291,499	(184,038)	577,948,026
Governmental Activities Capital Assets, Net	$ 590,481,137	$ 795,467	$ -	$ (184,038)	$ 591,092,566

Capital assets include assets recorded in Internal Service Funds, net of amortization, of $2,040,241.

Depreciation expense was charged to governmental functions as follows:

Instruction	$ 10,043,371
Instructional Resources and Media Services	479,844
Curriculum and Staff Development	807,229
Instructional Leadership	291,886
School Leadership	787,368
Guidance, Counseling and Evaluation Services	640,174
Social Work Services	42,429
Health Services	197,719
Student (Pupil) Transportation	1,559,641
Food Services	1,127,728
Extracurricular Activities	786,451
General Administration	381,945
Facilities Maintenance and Operations	1,552,778
Security and Monitoring Services	457,507
Data Processing Services	2,338,669
Community Services	46,411
	$ 21,541,150

NOTE H: CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

All school building bond projects were fully completed, and the District reported no construction or other significant commitments outstanding at the close of fiscal year 2025.

NOTE I: CHANGES IN LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities (including general obligation bonds and leave) for the year ended August 31, 2025. See Note N for additional long-term liabilities related to the District's net pension liability and Note O for additional long-term liabilities related to the District's net OPEB liability.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	$ 409,130,667	$ 24,333	($20,790,000)	$ 388,365,000	$ 15,635,000
Bond Premium (Discount)	36,102,296	-	(2,394,680)	33,707,616	-
Total Bonds Payable	445,232,963	24,333	(23,184,680)	422,072,616	15,635,000
Other Liabilities:					
Right-to-use Leases	2,027,131	1,033,560	(818,784)	2,241,907	768,154
Compensated Absences*	871,373		(3,846)	867,527	99,113
SBITA	684,482	1,779,153	(895,516)	1,568,119	802,809
Arbitrage	1,109,433	53,303	-	1,162,736	-
Total Other Liabilities	4,692,419	2,866,016	(1,718,146)	5,840,289	1,670,076
Total Governmental Activities Long-Term Liabilities	$ 449,925,382	$ 2,890,349	$ (24,902,826)	$ 427,912,905	$ 17,305,076

* Compensated absences are reported as a net change for the year as allowed under the provisions of GASB 101, paragraph 30.

The liability for pension, OPEB, and compensated absence liabilities are being liquidated primarily by the General Fund.

The additions to General Obligation Bonds above include accreted interest on capital appreciation bonds of $24,333. For additional information see Note K for Right-to-use Leases, Note L for SBITA, and Note M for Compensated Absences.

NOTE J: BONDS PAYABLE

Bonded indebtedness of the District is reflected in the Statement of Net Position. Current requirements for principal and interest expenditures are accounted for in the Debt Service Fund.

Tyler Independent School District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas (SID), which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

A summary of changes in bonds payable for the year ended August 31, 2025 is as follows:

Description Issue Date/Final Maturity Date	Interest Rate Payable	Original Issue Amount	Interest Current Year	Payable Amounts Outstanding 9/1/2024	Amount Issued / Accreted	Amount Refunded / Retired	Outstanding 8/31/2025
Unlimited Tax Refunding Bonds - Series 2014 8/1/2014 to 2/15/2031	4% to 5%	7,125,000	23,375	935,000	-	935,000	-
Unlimited Tax Refunding Bonds - Series 2015 4/1/2015 to 2/15/2032	2% to 5%	74,970,000	2,020,900	50,000,000	-	9,800,000	40,200,000
Unlimited Tax Refunding Bonds - Series 2016 11/1/2016 to 2/15/2034	4%	8,690,000	339,000	8,475,000	-	-	8,475,000
School Building Unlimited Tax Bonds - Series 2017 8/1/2017 to 2/15/2047	4% to 5%	175,735,000	7,016,350	156,955,000	-	2,780,000	154,175,000
Unlimited Tax Refunding Bonds - Taxable Series 2020	1.584% to 5%	121,420,000	3,229,996	118,345,000	-	-	118,345,000
Capital Appreciation Bonds		1,705,000		4,805,000	-	4,805,000	-
Less Discount 8/20/2020 to 2/15/2043				(24,333)	24,333	-	-
School Building Unlimited Tax Bonds - Series 2022 8/20/2020 to 2/15/2042	3.875% to 5%	84,240,000	3,133,544	69,640,000	-	2,470,000	67,170,000
			$15,763,164	$409,130,667	$24,333	$20,790,000	$388,365,000

NOTE: All bonds were issued for the purpose of building or renovating school buildings.

Debt Service Requirements are as follows:

Year Ending August 31,	General Obligations Principal	Interest	Total Requirements
2026	$ 15,635,000	$ 15,028,665	$ 30,663,665
2027	16,625,000	14,222,165	30,847,165
2028	17,720,000	13,363,540	31,083,540
2029	18,705,000	12,460,015	31,165,015
2030	19,570,000	11,536,165	31,106,165
2031 to 2035	100,240,000	46,265,335	146,505,335
2036 to 2040	96,445,000	28,682,966	125,127,966
2041 to 2045	81,540,000	10,700,421	92,240,421
2046 to 2047	21,885,000	884,100	22,769,100
Total	$ 388,365,000	$ 153,143,372	$ 541,508,372

There are a number of limitations and restrictions contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2025. The District is subject to a legal debt limit as outlined in Texas Education Code Chapter 45.

Unspent bond proceeds net of related debt impact the Net Investment in Capital Assets. This amount was $1,590,742 in fiscal year 2025.

Arbitrage

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the United States Treasury of investment income received at yields that exceed the issuer's tax-exempt borrowing rates. The U.S. Treasury requires payment for each issue every five years. The estimated liability is updated annually for any tax-exempt issuances or changes in yields until such time payment of the calculated liability is due. At August 31, 2025, the District had a liability of $1,162,736 for arbitrage.

NOTE K: RIGHT-TO-USE LEASES

The District has multiple 60-month right-to-use leases with Xerox for copiers. Additional leases are entered into as needed. The lease terms expire at varying times. The Board approved the lease initially. Any renewals are done on the state contracts. These right-to-use leases are accounted for in an Internal Service Fund. The estimated useful life of the assets is the same as the lease term.

Lease Description	Asset Cost Basis	Accumulated Depreciation 8/31/25	Lease Term	Implicit Interest Rate	Original Lease Liability	Outstanding 8/31/25	Avg. Monthly Principal & Interest Payments
Copiers	$ 3,375,930	$ 1,335,689	various	3% to 5.75%	$3,375,930	$ 2,241,907	$ 72,019

The future minimum payment requirements as of August 31, 2025, are as follows:

Year Ending August 31,	Principal	Interest	Total Requirements
2026	$ 768,154	$ 99,715	$ 867,869
2027	721,728	60,545	782,273
2028	572,328	25,604	597,932
2029	179,697	4,586	184,283
Total	$ 2,241,907	$ 190,450	$ 2,432,357

NOTE L: GASB 96 SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ASSETS (SBITA)

For the year ended August 31, 2025, the financial statements include the adoption of GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITA). The primary objective of this Statement is to enhance the relevance and consistency of information about governments' subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this Statement, an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset.

The District has 8 subscription contracts as of August 31, 2025. Future subscription payments for new contracts were discounted using an implicit rate of 5.75%. Existing contracts were discounted using an implicit rate of 4.9%.

Asset Class	Subscription Asset Value	Accumulated Depreciation
Software	$ 4,683,744	$ 2,209,934

The subscription liabilities are recorded in the government-wide fund. The principal and interest are liquidated at the fund level through the General Fund and other special revenue funds.

Fiscal Year	Principal	Interest	Total
2026	$ 802,809	$ 51,052	$ 853,861
2027	765,310	8,443	773,753
Total	$ 1,568,119	$ 59,495	$ 1,627,614

NOTE M: ACCUMULATED UNPAID SICK LEAVE BENEFITS

Upon retirement, termination or death of certain employees, the District pays any accrued sick leave in a lump cash payment to such employee or his/her estate. The sick leave policy was revised in 1997 to decrease the years of service required to be eligible for these benefits. The policy was revised again in 2000 to require that the years of service be continuous. Employees with 15 years or more of continuous service are now eligible to receive a lump sum payment for accrued local sick leave equal to the number of accrued local sick days at the date of separation times the current substitute daily rate.

The District implemented GASB Statement No. 101, Compensated Absences, in fiscal year 2025. The implementation did not require a restatement of beginning balances. The Compensated Absences liability decreased by $3,846, resulting in an ending balance of $867,527. These benefits are paid from the General Fund, and $99,113 is estimated to be due within the next fiscal year.

NOTE N: DEFINED BENEFIT PENSION PLAN

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

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

Pension Plan Fiduciary Net Position. Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; on the Internet at http://trs.texas.gov; or by calling 1-800-223-8778.

Benefits Provided. TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using the average of the five highest annual creditable salaries multiplied by the years of credited service multiplied by 2.3 percent. For members who are grandfathered, the three highest annual salaries are used in the pension formula. The normal service retirement is at age 65 with at least five years of credited service or when the sum of the member’s age and years of credited service equals 80 with at least five years of credited service. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member’s age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the plan description above.

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 2024 election and the following COLA was applied to eligible annuitants' payments beginning wit their January 2024 payment.

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

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 through 2024. Contribution rates can be found in the TRS 2024 ACFR, Note 11, on page 87.

Contribution Rates

	2024	2025
Member	8.25%	8.25%
Non-Employer Contributing Entity (State)	8.25%	8.25%
Employers	8.25%	8.25%
District's 2025 FY Employer Contributions		$ 5,893,094
District's 2025 FY Member Contributions		$ 11,287,624
Measurement Year (2024) NECE On-Behalf Contributions		$ 7,156,673

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, 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 contribute 1.9% 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 an amount equal to the member contribution and the state contribution as an employment after retirement surcharge.

Actuarial Assumptions

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

The following table discloses the assumptions that were applied to this measurement period.

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% - Source for the rate is the Bond Buyers 20 Index which represents the estimated yield of a portfolio of 20 general obligation bonds maturing in 20 years based on a survey of municipal bond traders.
Last year ending August 31 in Projection Period (100 years)	2123
Inflation	2.30%
Salary Increases	2.95% to 8.95% including inflation
Ad hoc Post Employment Benefit Changes	None

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

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

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

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

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2024 (see page 56 of the TRS ACFR) are summarized below:

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

* *Absolute Return includes Credit Sensitive Investments.*

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

*** *Capital Market Assumptions come from 2024 SSA Study CMA Survery (as of 12/31/2023)*

*** *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 using the discount rate of 7%, and what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6%) or one percentage point higher 8% than the current rate. The discount rate can be found in the 2024 TRS ACFR, Note 11, page 90.

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
District's proportionate share of the net pension liability:	$ 102,358,343	$ 64,083,973	$ 32,370,937

Change of Benefit Terms Since the Prior Measurement Date

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

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2025, Tyler Independent School District reported a liability of $64,083,973 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Tyler Independent School District. The amount recognized by Tyler Independent School District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Tyler Independent School District were as follows:

District's proportionate share of the collective net pension liability	$ 64,083,973
State's proportionate share that is associated with the District	77,574,445
Total	$141,658,418

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, 2022. The employer's proportion of the net pension liability was based on the employer'scontributions 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 August 31, 2024 the employer's proportion of the collective net pension liability was 0.1049109240% which was an increase of 0.0041656011% from its proportion measured as of August 31, 2023.

For the year ended August 31, 2025, Tyler Independent School District recognized pension expense of $18,713,029 and revenue of $9,271,443 for support provided by the State in the Government Wide Statement of Activities.

At August 31, 2025, Tyler Independent School District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources: (The amounts shown below will be the cumulative layers from the current and prior years combined).

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experiences	$ 3,532,221	$ 500,336
Changes in actuarial assumptions	3,308,793	443,596
Differences between projected and actual investment earnings	389,544	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	5,216,721	2,134,628
Total as of August 31, 2024 measurement date	$ 12,447,279	$ 3,078,560
Contributions paid to TRS subsequent to the measurement date	5,893,094	-
Total as of fiscal year-end	$ 18,340,373	$ 3,078,560

The $5,893,094 reported as deferred outflows related to pension resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended August 31:	Pension Expense Amount
2026	$ 613,644
2027	7,657,525
2028	1,785,147
2029	(1,151,822)
2030	464,225
Thereafter	-

Long-term Liability Disclosure

	Beginning Balance	Additions	Retirements	Ending Balance
Net Pension Liability	$ 69,202,316	$ -	$ 5,118,343	$ 64,083,973

Pension contributions are charged to the fund from which the employee's salary is paid, typically General Fund and Special Revenue Funds.

NOTE O: DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

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

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

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 by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; on the Internet at http://trs.texas.gov; or by calling (512) 542-6592.

Benefits Provided. TRS-Care provides health insurance coverage to retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. There are no automatic post-employment benefit changes; including automatic COLAs.

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

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

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes a public school contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the employer. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act which is 0.75% of each active employee’s pay for fiscal year 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%

District's 2025 FY Employer Contributions	$ 1,182,326
District's 2025 FY Member Contributions	$ 889,331
Measurement Year (2024) NECE On-Behalf Contributions	$ 1,520,176

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

Actuarial Assumptions. The actuarial valuation was performed as of August 31, 2023. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2024. The actuarial valuation was determined using the following actuarial assumptions. Actuarial Assumptions can be found in the 2024 TRS ACFR, Note 9, page 78.

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

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

Valuation Date	August 31, 2023 rolled forward to August 31, 2024
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.87% as of August 31, 2024.
Aging Factors	Based on the Society of Actuaries' 2013 Study "Health Care Costs - From Birth to Death".
Election Rates	Normal Retirement: 62% participation prior to age 65 and 25% after age 65. 30% of pre-65 retirees are assumed to discontinue coverage at age 65.
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claim costs.
Projected Salary Increases	2.95% - 8.95%, including inflation
Ad-hoc Post Employement Benefit Changes	None

Discount Rate. A single discount rate of 3.87% was used to measure the Total OPEB Liability. This was a decrease of 0.26% in the discount rate since the previous year. The Discount Rate can be found in the 2024 TRS ACFR on page 79. Since the plan is a pay-as-you-go plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate is the Fixed Income Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in the Bond Buyer's "20-Bond GO Index, as of August 31, 2024.

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

	1% Decrease in Discount Rate (2.87%)	Discount Rate (3.87%)	1% Increase in Discount Rate (4.87%)
District's proportionate share of the Net OPEB Liability:	$ 48,162,548	$ 40,539,271	$ 34,379,548

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
District's proportionate share of the Net OPEB Liability:	$ 33,013,217	$ 40,539,271	$ 50,346,468

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2025, Tyler Independent School District reported a liability of $40,539,271 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 Tyler Independent School District were as follows:

District's Proportionate share of the collective net OPEB liability	$ 40,539,271
State's proportionate share that is associated with the District	50,795,156
Total	$91,334,427

The Net OPEB Liability at August 31, 2024 was based on a measurement date of August 31, 2023, and the Total OPEB Liability used to calculate the Net OPEB 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, through August 31, 2024. Contributions made after the measurement date of the OPEB liability but before the end of the employer's or governmental nonemployer contributing entity's reporting period will be recognized as a reduction of the OPEB liability or collective OPEB liability in the subsequent fiscal period rather than in the current fiscal period.

At August 31, 2024 the employer's proportion of the collective Net OPEB Liability was 0.1335658120%, which was a decrease of 0.0003309246% from its proportion measured at August 31, 2023.

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

- The single discount rate changed from 4.13 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 in Benefit Terms: There were no changes in benefit terms since the prior measurement date.

For the year ended August 31, 2025, Tyler Independent School District recognized a negative OPEB expense of $11,519,626 and a negative revenue of $6,602,433 for support provided by the State.

At August 31, 2025, Tyler Independent School 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	$ 7,770,017	$ 20,231,294
Changes in actuarial assumptions	5,188,548	13,227,495
Differences between projected and actual investment earnings	-	113,523
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	4,566,782	4,848,853
Total as of August 31, 2023 measurement date	17,525,347	38,421,165
Contributions paid to TRS subsequent to the measurement date	1,182,326	-
Total as of fiscal year-end	$ 18,707,673	$ 38,421,165

The $1,182,326 reported as deferred outflows 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 subsequent fiscal yar. The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Fiscal year ended August 31:	OPEB Expense Amount
2026	$ (5,971,946)
2027	(4,135,886)
2028	(4,886,300)
2029	(4,115,631)
2030	(2,245,320)
Thereafter	459,265

Long-term Liability Disclosure

	Beginning Balance	Additions	Retirements	Ending Balance
Net OPEB Liability	$ 29,495,946	$ 11,043,325	$ -	$ 40,539,271

OPEB contributions are charged to the fund from which the employee's salary is paid, typically General Fund and Special Revenue Funds.

NOTE P: ON-BEHALF PAYMENTS FOR FRINGE BENEFITS AND SALARIES

In accordance with GASB Statement Number 24, the District has recognized as revenues and expenditures, contributions made by the State of Texas to the Teacher Retirement System of Texas on behalf of the District's employees. For the year ended August 31, 2025, the State made contributions of $8,805,696 related to on-behalf retirement contributions and $969,675 related to Medicare part D payments. These equal revenues and expenditures are reflected in the fund financial statements for the General Fund.

NOTE Q: RISK FINANCING AND OTHER COVERAGE

Property Casualty Insurance

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

Health Insurance

The District's modified self-insurance plan for health care benefits ended August 31, 2024. Beginning September 1, 2024, staff members and their dependents were offered coverage through the TRS-ActiveCare health insurance program. Claims related to the former self-insurance plan are accounted for in the Health Insurance Fund (the "Fund"), an internal service fund of the District. The District extended the prior year excess loss insurance coverage through September 30, 2024 which limited annual claims paid from the Fund for the year to $200,000 for any individual participant and an aggregate limit equal to $20,093,119.

All claims related to the prior plan year were paid by August 31, 2025. Changes in the balances of claims liabilities during the past two years are as follows:

	Year Ending August 31, 2025	Year Ending August 31, 2024
Unpaid Claims, Beginning of the Year	$ 1,453,685	$ -
Reimbursements on Claims Over Stop Loss	252,947	4,037,299
Incurred Claims (including IBNR's)	(342,039)	17,943,880
Claim Payments	(1,364,593)	(20,527,494)
Unpaid Claims, End of Fiscal Year	$ -	$ 1,453,685

Workers' Compensation

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

The contract between the Tyler Independent School District and the third-party administrator is renewable September 1, 2025, and terms, coverage and contribution costs are included in the contractual provisions. Under the terms of the contract, all risk is assumed by the third party administrator. The District is only required to pay fixed costs of $980,285 for administration of claims, loss control, record keeping, and the cost of excess insurance.

NOTE R: LITIGATION

The District is a party to various legal actions none of which is believed by administration to have a material effect on the financial condition of the District. Accordingly, no provision for losses has been recorded in the accompanying combined financial statements for such contingencies.

The District participates in numerous State and Federal grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2025 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

NOTE S: JOINT VENTURE-SHARED SERVICE ARRANGEMENTS

The District is the fiscal agent for a Shared Services Arrangement ("SSA") which provides for special education to deaf students of member districts. All services are provided by the fiscal agent to whom the member districts pay tuition. The fiscal agent also receives state grant funds to subsidize the program. In fiscal year 2024-2025, the fiscal agent received $927,680 from the state to provide for program activities. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in Special Revenue Fund 435, Shared Services Arrangements - Regional Day School for the Deaf using Model 3 in the SSA section of the Resource Guide.

Tuition paid by member districts to the SSA for services in fiscal year 2024-2025 is as follows:

Tyler ISD	$ 298,843
Anderson County SSA	38,588
Arp ISD	18,737
Cumberland Academy	26,460
Brownsboro ISD	49,813
Bullard ISD	2,250
Canton ISD	25,855
Chapel Hill ISD	37,485
Edgewood ISD	1,000
Fruitvale ISD	6,615
Grand Saline ISD	-
Jacksonville ISD	97,220
Lindale ISD	79,352
Martins Mill ISD	8,415
Palestine ISD	45,595
Van ISD	22,050
Whitehouse ISD	131,947
Winnsboro ISD	19,845
Winona ISD	22,250
Wood County SSA	14,230
Total	$ 946,550

Revenues exceed expenditures for 2024-2025 due to vacant positions.

Total Expenditures for Regional Day School for the Deaf	$	(1,802,443)
State Program Revenues		927,680
Member District Tuition		946,550
Net Change in Fund Balance	$	71,787

The District also serves as the fiscal agent for a Shared Services Arrangement ("SSA") which provides an alternative education program known as the Smith County Juvenile Attention Center.

Tuition paid by member districts to the SSA for services in fiscal year 2024-2025 is as follows:

Tyler ISD	$	80,438
Arp ISD		123
Bullard ISD		140
Chapel Hill ISD		2,895
Lindale ISD		3,438
Troup ISD		930
Whitehouse ISD		7,333
Winona ISD		316
Total	$	95,613

Revenues slightly exceed expenditures for the year.

Total Expenditures for Smith County JJAEP	$	(94,915)
Member District Tuition		95,613
Net Change in Fund Balance	$	698

NOTE T: SUBSEQUENT EVENTS

The District's management has reviewed its financial statements and evaluated subsequent events for the period from its year end of August 31, 2025 through January 22, 2026, the date the financial statements were issued. Management is not aware of any subsequent events, other than those described above, that would require recognition or disclosure in the accompanying financial statements.

NOTE U: CHANGE IN FINANCIAL REPORTING ENTITY

During the year, the District had one change within the financial reporting entity:

1. The Capital Projects Fund was previously reported as a major governmental fund. That classification was based on quantitative factors, however, these thresholds have not been met, and this fund was not significant enough to merit continued qualitative presentation. Thus, this fund was reclassified to nonmajor funds in the current fiscal year.

APPENDIX D

FORM OF BOND COUNSEL'S OPINION

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DRAFT

IN REGARD to the authorization and issuance of the "Tyler Independent School District Unlimited Tax Refunding Bonds, Series 2026" (the *Bonds*), dated ______, 2026, in the aggregate principal amount of $_________, we have reviewed the legality and validity of the issuance thereof by the Board of Trustees of the Tyler Independent School District (the *Issuer*). The Bonds are issuable in fully registered form only, generally in denominations of $5,000 or any integral multiple thereof (within a Stated Maturity). The Bonds have Stated Maturities of _______, 2026, and each February 15 in the years 20__ through 20__. The Bonds are not subject to redemption prior to Stated Maturity, as provided in the Order (the *Order*). Interest on the Bonds accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the Order authorizing the issuance of the Bonds. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Order.

WE HAVE SERVED AS BOND COUNSEL for the Issuer solely to pass upon the legality and validity of the issuance of the Bonds under the laws of the State of Texas, the defeasance and discharge of the Issuer's obligations being refunded by the Bonds, and with respect to the exclusion of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes and for no other purpose. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer. We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Bonds. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Bonds.

WE HAVE EXAMINED the applicable and pertinent laws of the State of Texas and the United States of America. In rendering the opinions herein we rely upon (1) original or certified copies of the proceedings of the Board of Trustees of the Issuer in connection with the issuance of the Bonds, including the Order and the Escrow and Trust Agreement (the *Escrow Agreement*) between the Issuer and U.S. Bank National Association, Dallas, Texas, (the *Escrow Agent*); (2) a special report (the *Report*) provided by Robert Thomas CPA, LLC, certified public accountants, concerning the sufficiency of cash and investments deposited with the Escrow Agent pursuant to the Escrow Agreement; (3) customary certifications and opinions of officials of the Issuer; (4) certificates executed by officers of the Issuer relating to the expected use and investment of proceeds of the Bonds and certain other funds of the Issuer, and to certain other facts solely within the knowledge and control of the Issuer; and (5) such other documentation, including an examination of the Bond executed and delivered initially by the Issuer, and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements and information contained in such certificates. We express no opinion concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

Legal Opinion of Cantu Harden Montoya LLP, San Antonio, Texas, in connection with the authorization and issuance of TYLER INDEPENDENT SCHOOL DISTRICT UNLIMITED TAX REFUNDING BONDS, SERIES 2026

BASED ON OUR EXAMINATION, IT IS OUR OPINION that the Escrow Agreement has been duly authorized, executed, and delivered by the Issuer and, assuming due authorization, execution, and delivery thereof by the Escrow Agent, is a valid and binding obligation, enforceable in accordance with its terms (except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity), and that the outstanding obligations refunded, discharged, paid, and retired with certain proceeds of the Bonds have been defeased and are regarded as being outstanding only for the purpose of receiving payment from the funds held in trust with the Escrow Agent, pursuant to the Escrow Agreement and the order authorizing their issuance, and in accordance with the provisions of Chapter 1207, as amended, Texas Government Code. In rendering this opinion, we have relied upon the Report of the Verification Agent concerning the sufficiency of the cash and investments deposited with the Escrow Agent pursuant to the Escrow Agreement for the purposes of paying the outstanding obligations refunded and to be retired with the proceeds of the Bonds and the interest thereon.

BASED ON OUR EXAMINATION, IT IS FURTHER OUR OPINION that the Bonds have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Bonds are valid and legally binding obligations of the Issuer enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. The Bonds are payable from the proceeds of an ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property in the Issuer.

BASED ON OUR EXAMINATION, IT IS FURTHER OUR OPINION that, assuming continuing compliance after the date hereof by the Issuer with the provisions of the Order and in reliance upon the Sufficiency Certificate concerning the sufficiency of the cash and investments deposited with the Escrow Agent pursuant to the Escrow Agreement and upon the representations and certifications of the Issuer made in a certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Bonds, under existing statutes, regulations, published rulings, and court decisions (1) interest on the Bonds will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the *Code*), of the owners thereof for federal income tax purposes, pursuant to section 103 of the Code, and (2) interest on the Bonds will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals; however, such interest is taken into account in determining the "adjusted financial statement income" (as defined in section 56A of the Code) of "applicable corporations" (as defined in section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations.

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

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

Cantu Harden Montoya LLP

APPENDIX E

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

(Dated: February 26, 2026)

The following is incorporated into the offering document to which it is attached.

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.

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

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

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

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

The School District Bond Guarantee Program

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

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

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

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

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

The Charter District Bond Guarantee Program

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

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

Pursuant to the CDBGP Rules, the Education Commissioner annually determines the ratio of charter district students to total public school students, for the 2026 fiscal year, the ratio is 8.17%. At February 23, 2026, there were 182 active open-enrollment charter schools in the State and there were 1,027 charter school campuses authorized under such charters, though as of such date, 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[1], 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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[1] 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.