Ratings: Moody's "Aaa" / "A1"
(See "RATINGS", "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "APPENDIX C – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM")

OFFICIAL STATEMENT
Dated: August 11, 2026

NEW ISSUES: BOOK-ENTRY-ONLY

Interest on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Bonds (see "TAX MATTERS" herein).

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
(Nacogdoches County, Texas)

$5,000,000
UNLIMITED TAX REFUNDING BONDS, TAXABLE SERIES 2026

Dated Date: August 15, 2026 **Due: February 15, as shown on page ii**
(Interest Accrual Date: Date of Delivery)

This Official Statement is provided to furnish information in connection with the offering by the Nacogdoches Independent School District (the "District") of its Unlimited Tax Refunding Bonds, Taxable Series 2026 (the "Bonds"). The District is issuing the Bonds in accordance with the Constitution and general laws of the State of Texas, including, particularly, Chapter 1207, Texas Government Code, as amended, and a bond order (the "Bond Order") passed by the Board of Trustees (the "Board") of the District on July 16, 2026, in which the Board delegated pricing of the Bonds and certain other matters to a "Pricing Officer" who approved and executed a pricing certificate (the "Pricing Certificate") that completed the sale of the Bonds (the Bond Order and the Pricing Certificate are jointly referred to 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.

The District has received conditional approval from the Texas Education Agency for the Bonds to be guaranteed under the State of Texas Permanent School Fund Guarantee Program (hereinafter defined), which will automatically become effective when the Attorney General of Texas approves the Bonds (see "APPENDIX C – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein).

Interest on the Bonds will accrue from the date they are initially delivered (the "Date of Delivery") to the initial purchaser thereof named below (the "Underwriter") and will be payable on February 15, 2027 and semiannually thereafter on August 15 and February 15 of each year until stated maturity. The 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 of twelve 30-day months (see "THE BONDS – General Description").

The District intends to use the Book-Entry-Only System of The Depository Trust Company ("DTC"), but use of such system could be discontinued. The principal amount of the Bonds at maturity and interest on the Bonds will be payable to Cede & Co., as nominee for DTC, by U.S. Bank 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 beneficial owners thereof. Such Book-Entry-Only System will affect the method and timing of payment and the method of transfer of the Bonds (see "BOOK-ENTRY-ONLY SYSTEM").

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

Proceeds from the sale of the Bonds will be used to (i) refund a portion of the District's outstanding bonds (the "Refunded Bonds") for debt service savings (see "Schedule I – SCHEDULE OF BONDS TO BE REFUNDED" and "THE BONDS – Refunded Bonds"), and (ii) pay costs of issuance related to the Bonds (see "THE BONDS – Authorization and Purpose").

CUSIP PREFIX: 629649

MATURITY SCHEDULE & 9 DIGIT CUSIP
See Page ii

The Bonds are offered when, as and if issued, and accepted by the Underwriter listed below, subject to the approving opinion of the Attorney General of the State of Texas and the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, Houston, Texas. Certain legal matters will be passed upon for the Underwriter by its counsel, Troutman Pepper Locke LLP, Dallas, Texas. The Bonds are expected to be available for initial delivery through the services of DTC on or about September 10, 2026 (the "Date of Delivery").

BOK FINANCIAL SECURITIES, INC.

CUSIP Prefix: 629649[(A)]

MATURITY SCHEDULE

$5,000,000
UNLIMITED TAX REFUNDING BONDS, TAXABLE SERIES 2026

Maturity Date	Principal Amount	Interest Rate	Initial Reoffering Yield[(B)]	CUSIP Suffix[(A)]
2/15/2027	$4,970,000	4.270%	4.270%	UA0
2/15/2028	10,000	4.430%	4.430%	UB8
2/15/2029	10,000	4.510%	4.510%	UC6
2/15/2030	10,000	4.610%	4.610%	UD4

(Interest Accrues from the Date of Delivery)

Redemption…The Bonds are not subject to optional redemption prior to maturity (see "THE BONDS – Redemption Provisions of the Bonds" herein).

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(A) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services and is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. CUSIP numbers have been included solely for the convenience of the 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 (defined herein) or the Underwriter shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

(B) The initial reoffering yield represents the initial offering yield to the public, which will be determined by the Underwriter. Portions of the Bonds may be sold by the Underwriter at prices other than those shown above.

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

Name		Position	Term Expires	Occupation
Mindy Winslow	District V	President	May 2027	Revenue Cycle Director for Nacogdoches Memorial Hospital
Leabeth Abt	District II	Vice President	May 2029	Retired NHS Teacher
Cheryl D. Brady	District At-Large	Secretary	May 2028	Retired United States Army
Rev. James A. Ervin	District I	Member	May 2028	Pastor of Iron Wheel Baptist Church
Dr. T.C. Grohman, MD	District IV	Member	May 2027	Retired Radiologist
Demond Jackson	District III	Member	May 2029	Code Enforcement Technician
Farshid Niroumand	District At-Large	Member	May 2029	Retired Teacher

CERTAIN DISTRICT OFFICIALS

Name	Position
Grey Burton	Superintendent of Schools
Michael Martin	Deputy Superintendent
Roy B. Eberlan	Chief Financial Officer

CONSULTANTS AND ADVISORS

Auditors……………………………………………………………………………………………….Crowe LLP
Houston, Texas

Bond Counsel………………………………………………..………………………..…Orrick, Herrington & Sutcliffe, LLP
Houston, Texas

Municipal Advisor ………………………………………………………………………………RBC Capital Markets, LLC
Houston, Texas

FOR ADDITIONAL INFORMATION PLEASE CONTACT:

Roy B. Eberlan
Chief Financial Officer
Nacogdoches Independent School District
4632 NE Stallings Drive
Nacogdoches, Texas 75965
Phone: (936) 569-5000

Clarence Grier
Managing Director
RBC Capital Markets, LLC
609 Main Street, 36th Floor
Houston, Texas 77002
Phone: (713) 853-0823

USE OF INFORMATION IN OFFICIAL STATEMENT

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

This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. See "APPENDIX C – 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 ("TEA") and the District, respectively, to provide certain information on a continuing basis.

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

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

None of the District, the Municipal Advisor or the Underwriter make any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company ("DTC") or its Book-Entry-Only System described under "BOOK-ENTRY-ONLY-SYSTEM" or the affairs of the TEA described under "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "APPENDIX C – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM", as such information has been provided by the DTC and by the TEA, respectively.

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

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

The agreements of the District and others related to the Bonds are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Bonds is to be construed as constituting an agreement with any purchasers of the Bonds. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING THE SCHEDULES AND 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 EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM THE FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS. SEE "FORWARD LOOKING STATEMENTS" HEREIN.

TABLE OF CONTENTS

The cover page hereof, the Maturity Schedule, the section entitled "Selected Data from the Official Statement," this Table of Contents, the Schedule, 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 (defined below) 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 Nacogdoches Independent School District (the "District") is a political subdivision of the State of Texas (the "State") located in Nacogdoches County, Texas. The District is governed by a seven-member Board of Trustees (the "Board"). Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools, who is the chief administrative officer of the District. Support services are supplied by consultants and advisors. For more information regarding the District (see "APPENDIX A – FINANCIAL INFORMATION REGARDING THE DISTRICT" and "APPENDIX B – GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY").
Authority for Issuance	The District's Unlimited Tax Refunding Bonds, Taxable Series 2026 (the "Bonds") are being issued pursuant to the Constitution and general laws of the State, including, particularly Chapter 1207, Texas Government Code, as amended, and a bond order (the "Bond Order") passed by the Board on July 16, 2026, in which the Board delegated pricing of the Bonds and certain other matters to a "Pricing Officer" who approved and executed a pricing certificate (the "Pricing Certificate"), that completed the sale of the Bonds (the Bond Order and the Pricing Certificate are jointly referred to as the "Order") (see "THE BONDS – Authorization").
The Bonds	The Bonds shall mature on the dates and in the amounts set forth on page ii of this Official Statement (see "THE BONDS – General Description").
Payment of Interest	Interest on the Bonds will accrue from the date of delivery ("Date of Delivery") and will be payable beginning on February 15, 2027, and semiannually thereafter on August 15 and February 15 of each year until stated maturity (see "THE BONDS – General Description").
Security	The Bonds constitute direct obligations of the District, payable as to principal and interest from an annual ad valorem tax levied, without legal limit as to rate or amount, against all taxable property located within the District (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 the State. Additionally, an application has been filed with, and the District has received conditional approval from, the Texas Education Agency for the payment of the Bonds to be guaranteed by the corpus of the Permanent School Fund of the State of Texas (see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "APPENDIX C – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").
Purpose of the Bonds	Proceeds from the sale of the Bonds will be used to (i) refund a portion of the District's outstanding bonds (the "Refunded Bonds") for debt service savings (see "Schedule I – SCHEDULE OF BONDS TO BE REFUNDED" and "THE BONDS – Refunded Bonds"), and (ii) pay costs of issuance related to the Bonds (see "THE BONDS – Purpose").
Redemption Provisions	The Bonds are not subject to optional redemption prior to maturity (see "THE BONDS – Redemption Provisions").
Ratings	The Bonds are rated "Aaa" by Moody's Investors Service, Inc. ("Moody's") based upon the guaranteed repayment thereof under the Permanent School Fund Guarantee Program of the Texas Education Agency. Moody's generally rates all bond issues guaranteed by the corpus of the Permanent School Fund of the State of Texas "Aaa" (see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "APPENDIX C – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM"). The District's unenhanced, underlying ratings (without consideration of the Permanent School Fund Guarantee) on the Bonds is "A1" by Moody's (see "RATINGS"). The District has other outstanding bonds rated by S&P Global Ratings ("S&P"). The District did not request a rating on the Bonds from S&P.

Tax Matters	Interest on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Bonds (see "TAX MATTERS").
Book-Entry-Only System	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 principal amount or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. 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").
Paying Agent/Registrar	The initial Paying Agent/Registrar for the Bonds is U.S. Bank National Association, Dallas, Texas (see "REGISTRATION, TRANSFER, AND EXCHANGE – Paying Agent/Registrar").
Continuing Disclosure of Information	Pursuant to the Order, the District is obligated to provide certain updated financial information and operating data annually, and to provide timely notice of certain specified events which will be available to investors as described in the section captioned "CONTINUING DISCLOSURE OF INFORMATION." Also see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM – PSF Continuing Disclosure Undertaking" for a description of the undertaking of the Texas Education Agency to provide certain information on a continuing basis.
Payment Record	The District has never defaulted on the payment of its bonded indebtedness.
Legality	Delivery of the Bonds is subject to the approval by the Attorney General of Texas and the rendering of an opinion as to legality by Orrick, Herrington & Sutcliffe LLP, Bond Counsel (see "LEGAL MATTERS").
Delivery	When issued, anticipated to be on or about September 10, 2026.

OFFICIAL STATEMENT
RELATING TO

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
(Nacogdoches County, Texas)

$5,000,000
UNLIMITED TAX REFUNDING BONDS, TAXABLE SERIES 2026

INTRODUCTORY STATEMENT

This Official Statement, including Schedule I and Appendices A, B and E, has been provided by Nacogdoches Independent School District (the "District"), a political subdivision of the State of Texas (the "State") located in Nacogdoches County, Texas, in connection with the offering by the District of its Unlimited Tax Refunding Bonds, Taxable Series 2026 (the "Bonds"), identified on the 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 District's Municipal Advisor, RBC Capital Markets, LLC, 609 Main St., Floor 36, Houston, Texas 77002.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. A copy of this Official Statement relating to the Bonds will be submitted by the initial purchaser of the Bonds (the "Underwriter") to the Municipal Securities Rulemaking Board and will be available through its Electronic Municipal Market Access ("EMMA") system. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the District's undertaking to provide certain information on a continuing basis. See "APPENDIX C – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM – PSF Continuing Disclosure Undertaking" for a description of the undertakings of the Texas Education Agency to provide certain information on a continuing basis.

THE BONDS

Authorization and Purpose

The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including, particularly, Chapter 1207, Texas Government Code, as amended, and an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the District's Board of Trustees (the "Board") on July 16, 2026. In the Bond Order, the Board delegated to an officer of the District (the "Pricing Officer") authority to complete the sale of the Bonds. The terms of the are included in a pricing certificate (the "Pricing Certificate"), which was approved and executed by the Pricing Officer and completed the sale of the Bonds (the Bond Order and the Pricing Certificate are jointly referred to as the "Order"). Capitalized terms used herein have the same meanings assigned to such terms in the Order, except as otherwise indicated.

Proceeds from the sale of the Bonds will be used to (i) refund a portion of the District's outstanding bonds (the "Refunded Bonds") for debt service savings (see "Schedule I – SCHEDULE OF BONDS TO BE REFUNDED" and "THE BONDS – Refunded Bonds"), and (ii) pay costs of issuance related to the Bonds.

Refunded Bonds

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

Robert Thomas CPA LLC (the "Verification Agent"), a firm of independent certified public accountants, will verify at the time of delivery of the Bonds to the Underwriter that the Escrowed Securities will mature and pay interest in such amounts which, together with the uninvested funds, if any, in the Escrow Fund, will be sufficient to pay, on the redemption date, the principal of and interest on the Refunded Bonds. Such maturing principal of and interest on the Escrowed Securities will not be available to pay debt service on the Bonds (see "VERIFICATION OF ARITHMETICAL COMPUTATIONS").

By the deposit of the Escrowed Securities and cash with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of the Refunded Bonds pursuant to the terms of Chapter 1207, Texas Government Code, as amended, and the orders authorizing the issuance of the Refunded Bonds. In the opinion of Bond Counsel, as a result of such defeasance and in reliance upon the report from the Verification Agent, the Refunded Bonds will be outstanding only for the purpose of receiving payments from the Escrowed Securities and cash held for such purpose by the Escrow Agent, and the Refunded Bonds will not be deemed as being outstanding obligations of the District payable from the sources and secured in the manner provided in the orders authorizing their issuance or for any other purpose. The District will have no further responsibility with respect to amounts available in the Escrow Fund for the payment of the Refunded Bonds from time to time, including any insufficiency therein caused by the failure to receive payment when due on the Escrowed Securities. Upon defeasance of the Refunded Bonds, the payment of such Refunded Bonds that were guaranteed by the State of Texas Permanent School Fund Guarantee Program will no longer be guaranteed by the State of Texas Permanent School Fund Guarantee Program.

General Description

Interest on the Bonds will accrue from the Date of Delivery shown on the cover page and will be calculated on the basis of a 360-day year of twelve 30-day months. The paying agent/registrar for the Bonds is initially U.S. Bank National Association, Dallas, Texas (the "Paying Agent/Registrar").

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 maturity. Interest on the Bonds will accrue from the Date of Delivery, at the interest rates shown on page ii hereof and such interest shall be payable to the registered owners thereof commencing on February 15, 2027, and semiannually thereafter on each succeeding August 15 and February 15 until stated maturity.

Initially, the Bonds will be registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal amount of the Bonds at maturity 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" for a more complete description of such system.

Security

The Bonds are direct obligations of the District and are payable as to principal amount and interest from an annual ad valorem tax levied, without legal limit as to rate or amount, on all taxable property within the District, as provided in the Order. Additionally, an application has been filed with, and the District has received conditional approval from, the Texas Education Agency for the payment of the Bonds to be guaranteed by the corpus of the Permanent School Fund of the State of Texas (see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM," "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" and "APPENDIX C – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM," as it relates to the Bonds).

Redemption Provisions

Optional Redemption. The Bonds are not subject to optional redemption prior to maturity.

Defeasance of Bonds

The Order provides for the defeasance of the Bonds when the payment on the Bonds to the due date thereof (whether such due date be by reason of maturity, redemption (with respect to the Bonds) or otherwise) is provided by irrevocably depositing with the Paying Agent/Registrar or authorized escrow agent, in trust (1) money sufficient to make such payment and/or (2) Government Securities that have been certified by an independent certified public accountant, the District's municipal advisor, the Paying Agent/Registrar, or another qualified third party to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money, together with any moneys deposited therewith, to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds, and thereafter the District will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Government Securities. The Order provides that "Government Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their acquisition or purchase by the District, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date of their acquisition or purchase by the District, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent and (d) any other then authorized securities or obligations under applicable State law that may be used to defease obligations such as the Bonds. The District has the right, subject to satisfying the requirements, of (1) and (2) above, to substitute other Government Securities for the Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance, and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance.

Amendments to the Order

In the Order, the District has reserved the right to, without the consent of or notice to any holders, from time to time and at any time, amend the Order in any manner not detrimental to the interests of the holders, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the District may, with the written consent of holders holding a majority in 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 holders of Outstanding Bonds, no such amendment, addition, or rescission shall (1) 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 of the Bonds, 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, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds required to be held by Holders for consent to any such amendment, addition, or rescission.

Legality

The Bonds are offered when, as and if issued, and subject to the approval of legality by the Attorney General of the State of Texas and the opinion of Orrick Herrington & Sutcliffe, LLP, Houston, 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.

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

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid and will cease to be outstanding obligations secured by the Order or treated as debt of the District for purposes of taxation or applying any limitation on the District's ability to issue debt or for any other purpose. Upon defeasance, such defeased Bonds shall no longer be regarded to be outstanding or unpaid and the Bonds will no longer be guaranteed by the corpus of the Texas Permanent School Fund.

Permanent School Fund Guarantee

In connection with the sale of the Bonds, the District has received conditional approval from the Commissioner of Education for guarantee of the Bonds under the Permanent School Fund Guarantee Program (Chapter 45, Subchapter C of the Texas Education Code, as amended). Subject to satisfying certain conditions discussed under the heading "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein, 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 corpus of the Permanent School Fund. See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein. The Permanent School Fund Guarantee will terminate with respect to Bonds that are defeased (see "THE BONDS – Defeasance of Bonds").

Sources and Uses of Funds

The proceeds from the sale of the Bonds, together with the District contribution, if any, will be applied approximately as follows:

Sources:	
Principal Amount of the Bonds	$5,000,000.00
Issuer Contribution	195,000.00
Total Sources of Funds	**$5,195,000.00**
Uses:	
Deposit to Escrow Fund	$5,075,831.51
Costs of Issuance	94,458.10
Underwriter's Discount	24,710.39
Total Uses of Funds	**$5,195,000.00**

REGISTERED OWNERS' REMEDIES

The Order does not specify events of default with respect to the Bonds. If the District defaults in the payment of principal, interest or, with respect to the Bonds, redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Order, and, with respect to the Bonds, the State fails to honor the Permanent School Fund Guarantee as discussed herein, the registered owners may seek a writ of mandamus to compel District officials to carry out their legally imposed duties with respect to the Bonds, enforce rights of payment under the Permanent School Fund Guarantee, if there is no other available remedy at law to compel performance of the Bonds or the Order covenants and the District's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the District to perform in accordance with the terms of the Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. Further, the registered owners cannot foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the United States Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce creditors' rights would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors, principles of governmental immunity and by general principles of equity which permit the exercise of judicial discretion.

See "APPENDIX C – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein for a description of the procedures to be followed for payment of the Bonds by the Permanent School Fund in the event the District fails to make a payment on the Bonds when due.

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 Underwriter believe the source of such information to be reliable, but none of the District, the Municipal Advisor or the Underwriter take any responsibility for the accuracy or completeness thereof.

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

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

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, 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 Paying Agent/Registrar and request that copies of notices be provided directly to them.

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

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with 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, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by and is not to be construed as a representation by the District, the Municipal Advisor or the Underwriter.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The U.S. Bank 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. The District covenants to maintain and provide a Paying Agent/Registrar at all times while any Bonds are outstanding and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State, or any other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to 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 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. A Bond may be assigned by the execution of an assignment form on the 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 his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in authorized denominations and for a like kind and aggregate principal amount 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 the interest 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 (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.

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 Paying Agent/Registrar with indemnification in an amount satisfactory to hold the District and the Paying Agent/Registrar harmless. The person requesting the authentication and delivery of a new Bond must pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

AD VALOREM TAX PROCEDURES

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Reference is made to Title I of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 Legislative Session" for a discussion of certain legislation affecting ad valorem taxation.

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

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property (the "10% Homestead Cap"). See Tables 1 and 9 in "APPENDIX A – FINANCIAL INFORMATION REGARDING THE DISTRICT" for the reduction in taxable valuation attributable to the 10% Homestead Cap.

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

State law provides 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 ("Productivity Value"). The same land may not be qualified as both agricultural and open-space land. See Tables 1 and 3 in "APPENDIX A – FINANCIAL INFORMATION REGARDING THE DISTRICT" for the reduction in taxable valuation attributable to Productivity Value

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

State Mandated Homestead Exemptions

State law grants, with respect to taxes levied for general elementary and secondary public school purposes, (1) a $140,000 exemption of the appraised value of all residence homesteads (increased from $100,000 to $140,000 effective from and after the 2025 tax year; see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 Legislative Session" herein), (2) an additional $60,000 exemption of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled (increased from $10,000 to $60,000 effective from and after the 2025 tax year; see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 Legislative Session" herein), and (3) various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty. See Tables 1 and 3 in "APPENDIX A – FINANCIAL INFORMATION REGARDING THE DISTRICT" for the reduction in taxable valuation attributable to state mandated homestead exemptions.

Local Option Homestead Exemptions

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

State Mandated Freeze on School District Taxes

Except for increases attributable to certain improvements, a school district is prohibited from increasing the total ad valorem tax on the residence 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 residence homestead qualified for such exemption. This freeze is transferable to a different residence homestead if a qualifying taxpayer moves and, under certain circumstances, is also transferable to the surviving spouse of a person 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 of age or older or disabled may be adjusted to reflect any statutory reduction from the preceding tax year in the MCR (herein defined) 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.

Legislation passed by the Legislature during the 89th Regular Session and approved by the voters provides a person an exemption from taxation by a taxing unit of $125,000 of the appraised value of the tangible personal property the person owns that is held or used for the production of income and has taxable situs at the same location in the taxing unit. A person who leases tangible personal property is also entitled to a tax exemption of $125,000, regardless of where the property is located in the taxing unit. Such exemption is applicable from and after the 2026 tax year.

Freeport and Goods-in-Transit Exemptions

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

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

Other Exempt Property

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

Temporary Exemption for Qualified Property Damaged by a Disaster

The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the governor to be a disaster area following a disaster and is at least 15 percent physically damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. Except in situations where the territory is declared a disaster on or after the date the taxing unit adopts a tax rate for the year in which the disaster declaration is issued, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the governor declares the area to be a disaster area. Section 11.35 of the Property Tax Code further provides 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, Texas 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 (formerly Chapter 313, Texas Tax Code, as amended ("Chapter 313")) previously allowed school districts to grant limitations on appraised property values to entities to encourage economic development within the school district. Generally, during the ten-year term of a tax limitation agreement under Chapter 313, a school district may only levy and collect M&O taxes on the agreed-to limited appraised property value. For the purposes of calculating its Tier One and Tier Two entitlements, the portion of a school district's property that was not fully taxable was excluded from the school district's taxable property values. Therefore, a school district 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 vote to extend this program, which expired by its terms effective December 31, 2022.

Tax Abatement Agreements

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

In the 88th Legislative Session, House Bill 5 ("HB 5" or "The Texas Jobs, Energy, Technology, and Innovation Act") was adopted to create an economic development program, subject to state oversight, which would attract jobs and investment to Texas through school district property tax abatement agreements with businesses. HB5 was codified as Chapter 403, Subchapter T, Texas Government Code ("Chapter 403") and had an effective date of January 1, 2024. Under Chapter 403, a school district may offer a 50% abatement on taxable value for maintenance and operations property taxes for certain eligible projects, except that projects in a federally designated economic opportunity zone receive a 75% abatement. Chapter 403 also provides a 100% abatement of maintenance and operations taxes for eligible property during a project's construction period. **Taxable valuation for purposes of the debt service tax securing a series of bonds cannot be abated under Chapter 403.** Eligible projects must involve manufacturing, dispatchable power generation facilities, technology research/development facilities, or critical infrastructure projects and projects must create and maintain jobs, as well as meet certain minimum investment requirements. The District is still in the process of reviewing Chapter 403 and cannot make any representations as to what impact, if any, Chapter 403 will have on its finances or operations. For a discussion of how the various exemptions described above are applied by the District (see "THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT").

District and Taxpayer Remedies

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

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

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

Levy and Collection of Taxes

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

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

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

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

THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT

The Appraisal District has the responsibility for appraising property in the District for each taxing unit that imposes ad valorem taxes on property in the District. The Appraisal District is a political subdivision of the State that is governed by a board of directors. The board of directors is composed of five members. Taxing units — counties, cities/towns, school districts, junior colleges and certain conservation and reclamation districts — nominate candidates and vote on the board of directors in odd-numbered years. The District's taxes are collected by the Appraisal District.

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

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

The District grants a state mandated residence exemption for disabled veterans.

The District grants a local-option additional exemption of 20% of the market value of residence homesteads with a minimum exemption of $5,000.

The District grants a local-option additional exemption of $10,000 for persons 65 years of age and older and the disabled.

The District does not tax non-business personal property.

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

The District grants a Freeport Property exemption.

The District has not taken action to tax "Goods-in-Transit."

The District is currently not a participant in any tax increment reinvestment zone.

The District is currently not a participant in any tax abatement or tax limitation agreements.

Charges for penalties and interest on the unpaid balance of delinquent taxes are as follows:

Date	Cumulative Penalty	Cumulative Interest	Total
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July	12	6	18

After July, the penalty remains at 12%, and interest accrues at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid. A delinquent tax continues to accrue interest as long as the tax remains unpaid, regardless of whether a judgment for the delinquent tax has been rendered. The purpose of imposing such interest penalty is to compensate the taxing unit for revenue lost because of the delinquency. In addition, an additional penalty of 20% may be assessed on July 1 in order to defray attorney collection expenses.

Property within the District is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process which uses pricing information contained in the most recently published Early Release Overview of the Annual Energy Outlook published by the United States Energy Information Administration, as well as appraisal formulas developed by the State Comptroller of Public Accounts. Taxes become due October 1 (or when billed, whichever is later) of the same year, and generally become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first installment due February 1 of each year and the final due on August 1. Split payments of taxes are not permitted. Discounts for the early payment of taxes are not permitted.

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

Litigation Relating to the Texas Public School Finance System

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

On May 13, 2016, the Court issued *Morath, et.al v. The Texas Taxpayer and Student Fairness Coalition, et al.,* No. 14-0776 (Tex. May 13, 2016) ("*Morath I*"). The plaintiffs and intervenors in the case had alleged that the Finance System, as modified by the Legislature in part in response to prior decisions of the Court, violated article VII, section 1 and article VIII, section 1-e of the Texas Constitution. In its opinion, the Court held that "[d]espite the imperfections of the current school funding regime, it meets minimum constitutional requirements." The Court also noted that:

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

Current Litigation Relating to the Texas Public School Finance System

On July 22, 2026, Midland Independent School District, together with certain individual taxpayer plaintiffs, 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.* (Case No. D-1-GN-26-006002), against Mike Morath, in his official capacity as Commissioner of Education, and the State of Texas *("Morath II")*. The suit is an original action for declaratory judgment and challenges the constitutionality of the Finance System.

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

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

Overview

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

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

2025 Texas Legislative Sessions

The regular session of the 89th Texas 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.

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

The District is still in the process of reviewing legislation passed during the 89th Regular Session. At this time, the District cannot make any representations as to the full impact of such legislation. Further, the District can make no representations or predictions regarding the scope of legislation that may be considered in any special session or future session of the Legislature 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 (the "SCP") is a statutorily-defined percentage of the rate of $1.00 per $100 that is used to determine a school district's Maximum Compressed Tax Rate (described below). The SCP is the lesser of three alternative calculations: (1) 93% or a lower percentage set by appropriation for a school year; (2) a percentage determined by formula if the estimated total taxable property value of the State (as submitted annually to the State Legislature by the State Comptroller) has increased by at least 2.5% over the prior year; and (3) the prior year SCP. For any year, the maximum SCP is 93%. For the State fiscal year ending in 2026, the SCP is set at 63.22%.

Maximum Compressed Tax Rate. The Maximum Compressed Tax Rate (the "MCR") is the tax rate per $100 of valuation of taxable property at which a school district must levy its Tier One Tax Rate to receive the full amount of the Tier One funding to which the school district is entitled. The MCR is equal to the lesser of two alternative calculations: (1) the school district's current year SCP multiplied by

$1.00; or (2) a percentage determined by formula if the school district experienced a year-over-year increase in property value of at least 2.5% (if the increase in property value is less than 2.5%, then the MCR is equal to the prior year MCR). However, each year the TEA shall evaluate the MCR for each school district in the State, and for any given year, if a school district's MCR is calculated to be less than 90% of any other school district's MCR for the current year, then the school district's MCR is instead equal to the school district's prior year MCR, until TEA determines that the difference between the school district's MCR and any other school district's MCR is not more than 10%. These compression formulas are intended to more closely equalize local generation of Tier One funding among districts with disparate tax bases and generally reduce the Tier One Tax Rates of school districts as property values increase. During the 2025 Regular Legislative Session, the Legislature took action to reduce the MCR for the 2025-2026 school year, establishing $0.6322 as the maximum rate and $0.5689 as the floor.

In calculating and making available school districts' MCRs for the 2025-2026 school year, the TEA calculated and made available the rates as if the increase in the residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, as proposed by the 89th Legislature, Regular Session, 2025, took effect. Such calculation for the 2025-2026 school year expires September 1, 2026. Pursuant to voter approval at a Statewide election held on November 4, 2025, (1) the residential homestead exemption under Section 1-b(c), Article VIII, Texas Constitution was increased from $100,000 to $140,000, and (2) the additional exemption on the residence homesteads of those at least sixty-five (65) years of age and the disabled under Section 1-b(c), Article VIII, Texas Constitution was increased from $10,000 to $60,000. Both constitutional amendments took effect for the tax year beginning January 1, 2025.

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

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

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

State Funding for School Districts

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

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

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

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

Tier One. Tier One funding is the basic level of funding guaranteed to a school district, consisting of a State-appropriated baseline level of funding (the "Basic Allotment") for each student in "Average Daily Attendance" (being generally calculated as the sum of student attendance, other than students in average daily attendance who do not reside in the district and are enrolled in a full-time virtual program, for each State-mandated day of instruction divided by the number of State-mandated days of instruction, defined herein as "ADA"). The Basic Allotment is revised downward if a school district's Tier One Tax Rate is less than the State-determined threshold. The Basic Allotment is supplemented by additional State funds, allotted based upon 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 school districts with a Tier One Tax Rate equal to the school district's MCR, is $6,160 plus the guaranteed yield increment adjustment (the "GYIA") for each student in ADA and is revised downward for school districts with a Tier One Tax Rate lower than the school district's MCR. The GYIA is established by October 1 of each even-numbered year for the subsequent biennium. For the 2026-27 biennium, the GYIA is set at $55.

The Basic Allotment is supplemented for all school districts by various weights to account for differences among school districts and their student populations. Beginning in the 2026-27 school year, special education funding is provided through a service-intensity model, with the Commissioner establishing eight tiers of intensity and at least four service groups to determine funding levels based on the type and intensity of services students receive, rather than categorical placement. Additional allotments also support students who: (i) are diagnosed with dyslexia or a related disorder, (ii) are economically disadvantaged, or (iii) have limited English language proficiency. Additional allotments to mitigate differences among school districts include, but are not limited to: (i) a transportation allotment for mileage associated with transporting students who reside two miles or more from their home campus, (ii) a fast growth allotment (for school districts in the top 25% of enrollment growth relative to other school districts), (iii) a college, career and military readiness allotment to further the State's goal of increasing the number of students who attain a postsecondary education or workforce credential, and (iv) a teacher incentive allotment to increase teacher compensation and retention in disadvantaged or rural school districts. A school district's total Tier One funding, divided by the district's Basic Allotment is a school district's measure of students in "Weighted Average Daily Attendance" ("WADA"), which serves to calculate Tier Two funding.

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

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

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

State financial assistance is provided for certain existing eligible debt issued by school districts through the EDA program. The EDA guaranteed yield (the "EDA Yield") is the lesser of (i) $40 per student in ADA or a greater amount for any year provided by appropriation; or (ii) the amount that would result in a total additional EDA of $60 million more than the EDA to which school districts would have been entitled to if the EDA Yield were $35. The portion of a school district's local debt service rate that qualifies for EDA assistance is limited to the first $0.29 of its I&S tax rate (or a greater amount for any year provided by appropriation by the State Legislature). In general, a school district's bonds are eligible for EDA assistance if (i) the school district made payments on the bonds during the final fiscal year of the preceding State fiscal biennium, or (ii) the school district levied taxes to pay the principal of and interest on the bonds for that fiscal year. Each biennium, access to EDA funding is determined by the debt service taxes collected in the final year of the preceding biennium.

A school district may not receive EDA funding for the principal and interest on a series of otherwise eligible bonds for which the school district receives IFA funding.

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

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

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

For the 2026-2027 school year, school districts will be held harmless and entitled to additional state aid to the extent that state and local revenue used to service eligible debt is less than the state and local revenue that would have been available to the district under state law providing for state aid to districts to account for increases in the general residence homestead exemption and the elderly or disabled tax ceiling, as such law existed on January 1, 2025, if any increase in a residence homestead exemption under the Texas Constitution, and any additional limitation on tax increases under the elderly or disabled tax ceiling had not occurred.

Local Revenue Level in Excess of Entitlement

A school district that has sufficient property wealth per student in ADA to generate local revenues on the school district's Tier One Tax Rate and Copper Pennies in excess of the school district's respective funding entitlements (a "Chapter 49 school district"), is subject to the local revenue reduction provisions contained in Chapter 49, 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 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 Education Commissioner to delay the date of the election otherwise required to be ordered before September 1. The Education Commissioner shall set a date by which each district that receives approval to delay an election must order the election and requires the Education 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 Education 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 Education Commissioner of the district's election to pay through a lump sum not later than March 15, 2026.

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

The School Finance System as Applied to the District

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

A district's "excess local revenue" must be tested for each future school year and, if it exceeds the maximum permitted level, must be reduced by exercise of one of the permitted wealth equalization options. Accordingly, if the District's wealth per student should exceed the maximum permitted level in future school years, it will 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.

TAX RATE LIMITATIONS

M&O Tax Rate Limitations

A school district is authorized to levy M&O taxes subject to approval of a proposition submitted to district voters under Section 45.003(d) of the Texas Education Code, as amended. The maximum M&O tax rate that may be levied by a district cannot exceed the voted maximum rate or the maximum rate described in the next succeeding paragraph. The maximum voted M&O tax rate for the District is $1.50 per $100 of assessed valuation as approved by the voters at an election held on May 8, 1971 under Chapter 20, Texas Education Code (now codified at Section 45.003, Texas Education Code).

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

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

I&S Tax Rate Limitations

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

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

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

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

EMPLOYEES BENEFIT PLAN

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

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

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 2019 through 2025.

Contributors to the plan include members, employers, and the State as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools, and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act. The contribution rates for 2024 and 2025 are as follows: Active Employee 8.25%, the State 8.25% and Employers 8.25%. The following are the contribution amounts made in the District's fiscal year 2025: member contributions $3,904,796, District Employer contributions $1,756,271 and State contributions $2,887,639.

The District also contributes to a retiree health care plan through the Texas Public School Retired Employees Group Insurance Program ("TRS Care"), a cost sharing multiple-employer defined benefit post employment health care plan administered by TRS. TRS Care provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. In addition to the TRS retirement plan, the District participates in the State health insurance plan to provide health care coverage for its employees.

For a discussion of the TRS retirement plan, TRS Care and the District's medical benefit plan, see Note 4 in the audited financial statements of the District that are attached hereto as "APPENDIX E – AUDITED FINANCIAL STATEMENT FOR THE YEAR ENDED JUNE 30, 2025 – Note 4".

In June 2012, Government Accounting Standards Board (GASB) Statement No. 68 (Accounting and Financial Reporting for Pensions) was issued to improve accounting and financial reporting by state and local governments regarding pensions. GASB Statement No. 68 requires reporting entities, such as the District, to recognize their proportionate share of the net pension liability and operating statement activity related to changes in collective pension liability. This means that reporting entities, such as the District, that contribute to the TRS pension plan will report a liability on the face of their government-wide financial statements. GASB Statement No. 68 applies only to pension benefits and does not apply to Other Post-Employment Benefits (OPEB) or TRS Care related liabilities.

As a result of its participation in the TRS and having no other post-retirement benefit plans, the District has no obligations for other post-employment benefits within the meaning of Governmental Accounting Standards Board Statement 45.

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 districts have adopted a policy to consult with employer groups with respect to certain terms and conditions of employment. Some examples of these groups are the Texas State Teachers Association, the Texas Classroom Teachers Association, the Association of Texas Professional Educators and the National Education Association.

RATINGS

The Bonds are rated "Aaa" by Moody's Investors Service, Inc. ("Moody's") based upon the guaranteed repayment thereof under the Permanent School Fund Guarantee Program of the Texas Education Agency. Moody's generally rates all bond issues guaranteed by the corpus of the Permanent School Fund of the State of Texas "Aaa" (see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "APPENDIX C – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM"). The District's unenhanced, underlying ratings (without consideration of the Permanent School Fund Guarantee) on the Bonds is "A1" by Moody's.

The District has other outstanding bond rated by S&P Global Ratings ("S&P"). The District did not request a rating on the Bonds from S&P.

An explanation of the significance of such ratings may be obtained from Moody's The ratings reflect only the view of Moody's and the District makes no representation as to the appropriateness of such ratings. The ratings are not a recommendation to buy, sell or hold the Bonds, and such ratings on the Bonds may be subject to revision or withdrawal at any time by Moody's. Any downward revision or withdrawal of the rating on the Bonds may have an adverse effect on the market price of the Bonds.

In addition, due to the ongoing uncertainty regarding the economy and debt of the United States of America, including, without limitation, general economic conditions and political developments that may affect the financial condition of the United States government, the United States debt limit, and bond and credit ratings of the United States and its instrumentalities, the ratings of obligations issued by state and local governments, such as the Bonds, could be adversely affected.

LEGAL MATTERS

The District will furnish to the Underwriter a complete transcript of proceedings had incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas as to the Bonds to the effect that the Bonds are valid and legally binding obligations of the District, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel to the District to the effect, a form of which opinion is attached to this Official Statement as APPENDIX D. Though it represents the Municipal Advisor and the Underwriter from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the District in connection with the issuance of the Bonds. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds which would affect the provision made for their payment or security, or in any manner questioning the validity of said Bonds will also be furnished. In its capacity as Bond Counsel, Orrick Herrington & Sutcliffe LLP was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under the captions and subcaptions "THE BONDS" (excluding the information under the subcaptions "Payment Record," "Permanent School Fund Guarantee" and "Sources and Uses of Funds"), "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 sentence only), "TAX MATTERS," "CONTINUING DISCLOSURE OF INFORMATION" (excluding the information under the subcaption "Compliance with Prior Undertakings"), "REGISTRATION AND QUALIFICATION OF BONDS FOR SALE," "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," and "LEGAL MATTERS" (excluding the last sentence of the first paragraph and the second paragraph thereof) in this 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 description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the provisions of the Order. Certain legal matters will be passed upon for the Underwriter by its counsel, Troutman Pepper Locke LLP, Dallas, Texas, whose legal fees are contingent upon the sale and delivery of the Bonds.

The legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

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TAX MATTERS

Tax Matters

Interest on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Bonds.

The following discussion summarizes certain U.S. federal income tax considerations generally applicable to holders of the Bonds that acquire their Bonds in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the U.S. Internal Revenue Service (the "IRS") with respect to any of the U.S. federal income tax considerations discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with U.S. tax consequences applicable to any given investor, nor does it address the U.S. tax considerations applicable to all categories of investors, some of which may be subject to special taxing rules (regardless of whether or not such investors constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their Bonds as part of a hedge, straddle or an integrated or conversion transaction, investors whose "functional currency" is not the U.S. dollar, or certain taxpayers that are required to prepare certified financial statements or file financial statements with certain regulatory or governmental agencies. Furthermore, it does not address (i) alternative minimum tax consequences, (ii) the net investment income tax imposed under Section 1411 of the Code, or (iii) the indirect effects on persons who hold equity interests in a holder. This summary also does not consider the taxation of the Bonds under state, local or non-U.S. tax laws. In addition, this summary generally is limited to U.S. tax considerations applicable to investors that acquire their Bonds pursuant to this offering for the issue price that is applicable to such Bonds (i.e., the price at which a substantial amount of the Bonds are sold to the public) and who will hold their Bonds as "capital assets" within the meaning of Section 1221 of the Code.

As used herein, "U.S. Holder" means a beneficial owner of a Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). As used herein, "Non-U.S. Holder" generally means a beneficial owner of a Bond (other than a partnership) that is not a U.S. Holder. If a partnership holds Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Bonds (including their status as U.S. Holders or Non-U.S. Holders).

Prospective investors should consult their own tax advisors in determining the U.S. federal, state, local or non-U.S. tax consequences to them from the purchase, ownership and disposition of the Bonds in light of their particular circumstances.

U.S. Holders

Interest. Interest on the Bonds generally will be taxable to a U.S. Holder as ordinary interest income at the time such amounts are accrued or received, in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes.

To the extent that the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds) by more than a de minimis amount, the difference may constitute original issue discount ("OID"). U.S. Holders of Bonds will be required to include OID in income for U.S. federal income tax purposes as it accrues, in accordance with a constant yield method based on a compounding of interest (which may be before the receipt of cash payments attributable to such income). Under this method, U.S. Holders generally will be required to include in income increasingly greater amounts of OID in successive accrual periods.

Bonds purchased for an amount in excess of the principal amount payable at maturity (or, in some cases, at their earlier call date) will be treated as issued at a premium. A U.S. Holder of a Bond issued at a premium may make an election, applicable to all debt securities purchased at a premium by such U.S. Holder, to amortize such premium, using a constant yield method over the term of such Bond.

Sale or Other Taxable Disposition of the Bonds. Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, retirement (including pursuant to an offer by the District) or other disposition of a Bond will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a Bond will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the Bond, which will be taxed in the manner described above) and (ii) the U.S. Holder's adjusted U.S. federal income tax basis in the Bond (generally, the purchase price paid by the U.S. Holder for the Bond, decreased by any amortized premium, and increased by the amount of any OID previously included in income by such U.S. Holder with respect to such Bond). Any such gain or loss generally will be capital gain or loss. In the case of a non-corporate U.S. Holder of the Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. holder's holding period for the Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

Defeasance of the Bonds. If the District defeases any Bond, the Bond may be deemed to be retired and "reissued" for U.S. federal income tax purposes as a result of the defeasance. In that event, in general, a holder will recognize taxable gain or loss equal to the difference between (i) the amount realized from the deemed sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and (ii) the holder's adjusted U.S. federal income tax basis in the Bond.

Information Reporting and Backup Withholding. Payments on the Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate U.S. Holder of the Bonds may be subject to backup withholding at the current rate of 24% with respect to "reportable payments," which include interest paid on the Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against the U.S. Holder's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain U.S. holders (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. A holder's failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

Non-U.S. Holders

Interest. Subject to the discussions below under the headings "Information Reporting and Backup Withholding" and "Foreign Account Tax Compliance Act ("FATCA")—U.S. Holders and Non-U.S. Holders," payments of principal of, and interest on, any Bond to a Non-U.S. Holder, other than (1) a controlled foreign corporation described in Section 881(c)(3)(C) of the Code, and (2) a bank which acquires such Bond in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, will not be subject to any U.S. federal withholding tax provided that the beneficial owner of the Bond provides a certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading "Information Reporting and Backup Withholding," or an exemption is otherwise established.

Disposition of the Bonds. Subject to the discussions below under the headings "Information Reporting and Backup Withholding" and "Foreign Account Tax Compliance Act ("FATCA,")—U.S. Holders and Non-U.S. Holders," any gain realized by a Non-U.S. Holder upon the sale, exchange, redemption, retirement (including pursuant to an offer by the District or a deemed retirement due to defeasance of the Bond) or other disposition of a Bond generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement (including pursuant to an offer by the District) or other disposition and certain other conditions are met.

Information Reporting and Backup Withholding. Subject to the discussion below under the heading "Foreign Account Tax Compliance Act ("FATCA")—U.S. Holders and Non-U.S. Holders," under current U.S. Treasury Regulations, payments of principal and interest on any Bonds to a holder that is not a United States person will not be subject to any backup withholding tax requirements if the beneficial owner of the Bond or a financial institution holding the Bond on behalf of the beneficial owner in the ordinary course of its trade or business provides an appropriate certification to the payor and the payor does not have actual knowledge that the certification is false. If a beneficial owner provides the certification, the certification must give the name and address of such owner, state that such owner is not a United States person, or, in the case of an individual, that such owner is neither a citizen nor a resident of the United States, and the owner must sign the certificate under penalties of perjury. The current backup withholding tax rate is 24%.

Foreign Account Tax Compliance Act ("FATCA")—U.S. Holders and Non-U.S. Holders

Sections 1471 through 1474 of the Code impose a 30% withholding tax on certain types of payments made to foreign financial institutions, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, FATCA imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial U.S. owner. Under current guidance, failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of interest on the Bonds. In general, withholding under FATCA currently applies to payments of U.S. source interest (including OID) and, under current guidance, will apply to certain "passthru" payments no earlier than the date that is two years after publication of final U.S. Treasury Regulations defining the term "foreign passthru payments." Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

The foregoing summary is included herein for general information only and does not discuss all aspects of U.S. federal taxation that may be relevant to a particular holder of Bonds in light of the holder's particular circumstances and income tax situation. Prospective investors are urged to consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of Bon.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Under the Texas Public Security Procedures Act (Texas Government Code, Chapter 1201), the Bonds (i) are negotiable instruments, (ii) are investment securities to which Chapter 8 of the Texas Business and Commerce Code applies, and (iii) are legal and authorized investments for (A) an insurance company, (B) a fiduciary or trustee, or (C) a sinking fund of a municipality or other political subdivision or public agency of the State of Texas. The Bonds are eligible to secure deposits of any public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Bonds may have to be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds (see "RATINGS" herein). In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least $1 million of capital and savings and loan associations.

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

INVESTMENT POLICIES

Investments

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

See "APPENDIX A – FINANCIAL INFORMATION REGARDING THE DISTRICT – Table 13" for summary information on the District's Current Investments.

Legal Investments

Under State law, the District is authorized to make investments meeting the requirements of the Public Funds Investment Act (Chapter 2256, Texas Government Code) (the "PFIA"), which currently include: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund (the "NCUSIF") or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this state and selected by the District in compliance with the PFIA, (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the District's account, (iii) 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 (iv) the District appoints as its custodian of the banking deposits, in compliance with the PFIA, the institution in clause (8)(i) above, a bank, or a broker-dealer; (9) certificates of deposit and share certificates meeting the requirements of the PFIA (i) 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), above, or secured in accordance with Chapter 2257, Texas Government Code, or in any other manner and amount provided by law for District deposits, or (ii) where (a) the funds are invested by the District through a broker or institution that has a main office or branch office in the State and selected by the District in compliance with the PFIA, (b) the broker or institution arranges for the deposit of the funds 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, in compliance with the PFIA, the institution in clause (9)(ii)(a) above, a bank, or broker-dealer 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 by clauses (1) or (12), which are pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with a stated maturity of 270 days or less from date of issuance, will be liquidated in full at maturity, are eligible for collateral for borrowing from a Federal Reserve Bank, and, if the short-term obligations of the accepting bank, or of the holding company of which the bank is the largest subsidiary, are rated not less than 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 from the date of issuance that is rated at least A-1 or P-1 or an equivalent by either (i) two nationally recognized credit rating agencies, or (ii) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission and provides the District with a prospectus required by the Securities Exchange Act of 1934 and complies with Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are registered and regulated by the Securities and Exchange Commission that have a weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations approved in this paragraph, or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1), excluding obligations which the District is explicitly prohibited from investing in, and in an amount at least equal to the amount of bond proceeds invested under such contract and is pledged to the District and deposited to the District or third party selected by the District; (16) aggregate repurchase agreement transactions entered into by an investing entity in conformity with the provisions of subsections (a-1), (f), and (g) of Section 2256.011 of the PFIA; and (17) securities lending programs if (i) the securities loaned under the program are 100% collateralized, including accrued income, (ii) a loan made under the program allows for termination at any time, (iii) a loan made under the program is either secured by (a) obligations described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent, or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool, (iv) the terms of a loan made under the program require that the securities being held as collateral 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 designated by the District, (v) 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 (vi) the agreement to lend securities has a term of one year or less.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAAm" or an equivalent by at least one nationally recognized rating service.

The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Under State law, the District may 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 of 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 has not contracted with, and has no present intention of contracting with, any such investment management firm or the Texas Securities Board to provide such services.

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 the 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.

State law also requires that District investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived". At least quarterly the investment officers of the District shall submit a written investment report detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, any additions and changes to market value (including fully accrued interest) and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) State law. No person may invest District funds without express written authority from the Board.

Additional Provisions

Under State law, the District is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the Board; (4) require the qualified representative of firms offering to engage in an investment transaction with the District to: (a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the District and the business organization that are not authorized by the District's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the District's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the District and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the District's investment policy; (6) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days after when agreement is delivered 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.

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. See "APPENDIX C – 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 C is incorporated herein and made a part hereof for all purposes.

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 the exemption provided thereunder by Section 3(a)(2). 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 Underwriter to register or qualify the sale of the Bonds under the securities laws of any jurisdiction which so requires. The District agrees to cooperate, at the Underwriter's written request and 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.

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 an "obligated person" with respect to the Bonds, within the meaning of the Securities and Exchange Commission's Rule 15c2-12 (the "Rule"). Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access ("EMMA") system. See "APPENDIX C – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" for a description of the TEA's continuing disclosure undertaking to provide certain updated financial information and operating data annually with respect to the Permanent School Fund and the State of Texas, as the case may be, and to provide timely notice of certain specified events related to the guarantee of the Permanent School Fund to the MSRB as such relates to the Bonds.

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement in "APPENDIX A – FINANCIAL INFORMATION REGARDING THE DISTRICT" (Tables 1-6 and 8-13) and in APPENDIX E.

The District will update and provide the information in "APPENDIX A – FINANCIAL INFORMATION REGARDING THE DISTRICT" (Tables 1-6 and 8-13) within six months after the end of each fiscal year ending in and after 2026 and, if not submitted as part of the annual financial information, the District will provide audited financial statements when and if available, and in any event, within 12 months after the end of each fiscal year ending in and after 2026. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the District will file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX E or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation.

The District's current fiscal year end is June 30. Accordingly, the District must provide updated information included in "APPENDIX A – FINANCIAL INFORMATION REGARDING THE DISTRICT" (Tables 1-13) by the last day of December in each year and audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available) by June 30 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will file notice of the change (and of the date of the new fiscal year end) with the MSRB prior to the next date by which the District otherwise would be required to provide financial information and operating data as set forth above.

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

Notice of Certain Events

The District will also provide timely notices of certain events to the MSRB. The District will provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance of the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of a name of a trustee, if material; (15) incurrence of a Financial Obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties. In addition, the District will provide timely notice of any failure by the District to provide information, data or financial statements in accordance with its agreement described above under "Annual Reports".

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

The term "Financial Obligation" shall mean, for purposes of the events described in clauses (15) and (16) above, a (i) debt obligation; (ii) derivative instrument entered into in connection with or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term "Financial Obligation" shall not include municipal securities (as defined in the

Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule. Additionally, the District intends the words used in clauses (15) and (16) of the preceding paragraphs 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 to the MSRB. The information will be available to holders of Bonds free of charge through the MSRB's EMMA system.

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.

This 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 since such offering as well as such changed circumstances and (2) either (a) the registered owners of a majority in aggregate principal amount (or any greater amount required by any other 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 this 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, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the District amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

Compliance with Prior Undertakings

During the last five years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with 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 condition or operations of the District. At the time of the initial delivery of the Bonds, the District will provide the Underwriter with a certificate to the effect that no litigation of any nature has been filed or is then pending challenging the issuance of the Bonds or that affects the payment and security of the Bonds or in any other manner questioning the issuance, sale or delivery of said Bonds.

VERIFICATION OF ARITHMETICAL COMPUTATIONS

The Verification Agent, a firm of independent certified public accountants, will deliver to the District, on or before the settlement date of the Bonds, its verification report indicating that it has verified, in accordance with the Statement on Standards for Consulting Services established by the American Institute of Certified Public Accountants, the mathematical accuracy of the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Escrowed Securities, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Bonds.

The Verification Agent relied on the accuracy, completeness and reliability of all information provided to it by and on all decisions and approvals of the District. In addition, the Verification Agent has relied on any information provided to it by the District's retained advisors, consultants or legal counsel. The Verification Agent was not engaged to perform audit or attest services under AICPA auditing or attestation standards or to provide any form of attest report or opinion under such standards in conjunction with this engagement.

The verification report will be relied upon by Bond Counsel in rendering its opinion with respect to the defeasance of the Refunded Bonds.

CYBERSECURITY

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

WEATHER EVENTS

The District is located in east Texas, approximately 180 miles southeast of the Dallas/Fort Worth Metroplex, and is susceptible to high winds, tornados, and fires. If a future weather event significantly damages all or part of the properties comprising the tax base within the District, the assessed value of property within the District could be substantially reduced, which could result in a decrease in tax revenue and/or necessitate an increase in the District's tax rate. Under certain conditions, Texas law allows school districts to increase property tax rates without voter approval upon the occurrence of certain disasters such as a tornado, flooding or extreme drought and upon gubernatorial or presidential declaration of disaster. There can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will carry flood or the appropriate, applicable other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds or that insurance proceeds will be used to rebuild or repay any damaged improvements within the District or be sufficient for such purposes. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District could be adversely affected.

MUNICIPAL ADVISOR

In its role as Municipal Advisor, RBC Capital Markets, LLC has relied on the District for certain information concerning the District and 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. The fee of the Municipal Advisor for services with respect to the Bonds is contingent upon the issuance and sale of the Bonds. In the normal course of business, the Municipal Advisor may also, from time to time, receive a fee to conduct a competitive bidding process regarding the investment of certain proceeds of the Bonds, upon the request of the District.

UNDERWRITING

The Underwriter has 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 Underwriter's discount of $24,710.39. The Underwriter's 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 Underwriter.

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

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. The Underwriter and its affiliates have provided, and may in the future provide, a variety of these services to the District and to persons and entities with relationships with the District, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriter and its 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 Underwriter and its affiliates may also communicate independent investment recommendations, market advice 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.

The Underwriter 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.

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 statutes, documents and the Order for further information. Reference is made to official documents in all respects.

MISCELLANEOUS

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

/s/ Roy B. Eberlan

Pricing Officer
Nacogdoches Independent School District

SCHEDULE I
SCHEDULE OF BONDS TO BE REFUNDED

Unlimited Tax School Building Bonds, Series 2019

Original Dated Date	Original Principal Amount	Total Principal Amount Outstanding	Maturities Being Refunded	Principal Amount Outstanding	Principal Amount Being Refunded	Principal Amount Remaining Outstanding	Redemption Date
04/01/2019	$ 76,800,000	$ 65,975,000	02/15/2046 [(A)]	$ 4,460,000	$ 1,035,000	$ 3,425,000	02/15/2028
			02/15/2047 [(A)]	3,965,000	3,965,000	-	02/15/2028
TOTAL REFUNDED BONDS				**$ 8,425,000**	**$ 5,000,000**	**$ 3,425,000**	

[(A)] Represents sinking fund installment of a Term Bond maturing on February 15, 2049.

APPENDIX A

FINANCIAL INFORMATION REGARDING THE DISTRICT

FINANCIAL INFORMATION REGARDING THE NACOGDOCHES INDEPENDENT SCHOOL DISTRICT

TABLE 1 - ASSESSED VALUATION[(A)]

2026/27 Certified Total Appraised Valuation	$	5,176,566,705
2026/27 Certified Taxable Assessed Valuation	$	2,908,423,857

[(A)] Source: Nacogdoches ISD (the "District ") and Nacogdoches Central Appraisal District ("NCAD"). Certified values are subject to change throughout the year as contested values are resolved and NCAD updates records. Includes the values on which property taxes are frozen for the persons of 65 years of age or older and disabled taxpayers.

TABLE 2 - GENERAL OBLIGATION DEBT OUTSTANDING

Bonds Outstanding as of August 15, 2026	$	67,665,000
Less: The Refunded Bonds		(5,000,000)
Plus: The Bonds		5,000,000
Total Debt Outstanding	$	67,665,000
I&S Fund Balance (as of June 30, 2026, unaudited figure)		6,501,070
Net Debt Outstanding	$	61,163,930
Ratio of Net Tax-Supported Debt to Taxable Assessed Valuation		2.103%

2026 Estimated Population:	44,097 [(A)]
Per Capita Net Direct Debt:	$1,387
Per Capita 2026 Assessed Valuation:	$65,955
2025/26 Student Enrollment:	5,527 [(B)]
Per Student Net Direct Debt:	$11,066
Per Student 2025 Assessed Valuation:	$526,221

[(A)] Source: The Municipal Advisory Council of Texas.
[(B)] Source: The District.

TABLE 3 - CLASSIFICATION OF ASSESSED VALUATION [(A)]

Category	Total Tax Roll For Fiscal Years Ending June 30, 2027	2026	2025	2024	2023
Real, Residential, Single-Family	$ 2,214,024,486	$ 2,158,948,913	$ 2,151,440,449	$ 1,873,746,625	$ 1,683,497,873
Real, Residential, Multi-Family	363,448,404	310,050,516	326,821,561	304,634,177	336,360,609
Real, Vacant Lots/Tracts	48,574,839	51,929,677	47,962,870	45,867,163	48,328,390
Real, Acreage (Land Only)	588,293,405	586,267,231	600,943,122	536,448,930	36,384,390
Real, Farm & Ranch Improvements	355,595,633	331,709,421	326,767,122	278,897,788	250,639,450
Real, Commercial	766,530,030	725,861,620	745,023,878	617,785,759	570,625,836
Real, Industrial	88,578,350	61,611,550	72,527,800	48,438,610	58,237,060
Real, Oil, Gas & Mineral Reserves	11,505,590	8,721,600	7,861,314	14,961,050	10,087,890
Real & Tangible Personal, Utilities	158,385,680	149,562,590	142,906,500	143,566,820	137,177,810
Tangible Personal, Commercial	174,192,202	164,394,190	167,080,620	157,119,910	150,394,230
Tangible Personal, Industrial	326,761,270	315,559,840	296,131,670	277,609,940	235,859,400
Tangible Personal, Mobile Homes	59,886,086	54,742,811	52,818,060	24,829,720	24,280,200
Real, Inventory	2,080,910	2,127,450	6,447,280	7,393,820	6,716,200
Special, Inventory	18,709,820	17,489,950	21,531,200	42,613,620	20,306,510
Total Appraised Value	5,176,566,705	4,938,977,359	4,966,263,446	4,373,913,932	3,568,895,848
Less: Exemptions/Reductions	(2,268,142,848)	(2,197,325,513)	(2,090,696,149)	(1,762,265,248)	(1,169,016,997)
Adjustments	-	-	-	-	-
Taxable Assessed Value	**$ 2,908,423,857**	**$ 2,741,651,846**	**$ 2,875,567,297**	**$ 2,611,648,684**	**$ 2,399,878,851**

Category	Total Tax Roll For Fiscal Years Ending June 30, 2027[(B)]	2026	2025	2024	2023
Real, Residential, Single-Family	42.77%	43.71%	43.32%	42.84%	47.17%
Real, Residential, Multi-Family	7.02%	6.28%	6.58%	6.96%	9.42%
Real, Vacant Lots/Tracts	0.94%	1.05%	0.97%	1.05%	1.35%
Real, Acreage (Land Only)	11.36%	11.87%	12.10%	12.26%	1.02%
Real, Farm & Ranch Improvements	6.87%	6.72%	6.58%	6.38%	7.02%
Real, Commercial	14.81%	14.70%	15.00%	14.12%	15.99%
Real, Industrial	1.71%	1.25%	1.46%	1.11%	1.63%
Real, Oil, Gas & Mineral Reserves	0.22%	0.18%	0.16%	0.34%	0.28%
Real & Tangible Personal, Utilities	3.06%	3.03%	2.88%	3.28%	3.84%
Tangible Personal, Commercial	3.37%	3.33%	3.36%	3.59%	4.21%
Tangible Personal, Industrial	6.31%	6.39%	5.96%	6.35%	6.61%
Tangible Personal, Mobile Homes	1.16%	1.11%	1.06%	0.57%	0.68%
Real, Inventory	0.04%	0.04%	0.13%	0.17%	0.19%
Special, Inventory	0.36%	0.35%	0.43%	0.97%	0.57%
Total Appraised Value	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

[(A)] Source: The District and NCAD. Certified values are subject to change throughout each fiscal year as contested values are resolved and the NCAD updates records.

TABLE 4 - VALUATION AND TAX SUPPORTED DEBT HISTORY

Fiscal Year Ended 6/30[(A)]	Estimated Population[(B)]	Taxable Assessed Valuation[(C)]	Taxable Assessed Valuation Per Capita	Total I&S Tax Debt Outstanding Calendar Year End	Ratio of I&S Tax Debt to Taxable Assessed Valuation	I&S Tax Debt Per Capita
2022	47,559	$2,217,332,818	$46,623	$94,060,000	4.24%	$1,977.75
2023	46,819	2,399,878,851	51,259	91,105,000	3.80%	1,945.90
2024	46,171	2,611,648,684	56,565	88,115,000	3.37%	1,908.45
2025	45,653	2,875,567,297	62,987	75,360,000	2.62%	1,650.71
2026	44,097	2,741,651,846	62,173	67,665,000	2.47%	1,534.46
2027	44,097	2,908,423,857	65,955	62,695,000	2.16%	1,421.75

(A) The District's fiscal year end is June 30th. Due to the timing of tax collection receipts, the District budgets for debt payments on a calendar year basis.
(B) Source: The Municipal Advisory Council of Texas; population estimates for prior years updated as the Municipal Advisory Council of Texas estimates are revised.
(C) Certified values are subject to change throughout the year as contested values are resolved and NCAD updates records.

TABLE 5 - TAX RATE, LEVY & COLLECTION HISTORY

Fiscal Year Ended 6/30	Total Tax Rate	Local Maintenance Tax Rate [(A)]	Interest & Sinking Fund Tax Rate	Tax Levy	% Current Collections	% Total Collections
2021	$1.29970	$1.05470	$0.24500	$27,822,798	97.92%	100.29%
2022	1.26630	1.02130	0.24500	28,595,508	97.77%	99.90%
2023	1.24070	0.95070	0.29000	31,875,323	97.60%	99.15%
2024	1.13970	0.75970	0.38000	27,351,692	95.86%	97.77%
2025	1.13520	0.75520	0.38000	29,933,835	94.70%	95.50%
Five-year Collection Average…					**96.77%**	**98.52%**
2026	$1.13520	$0.75520	$0.38000	$27,418,466	98.00% [(B)]	98.00% [(B)]

Source: The District's Records and the District's Audited Financial Statements.
(A) Pursuant to House Bill 3 that was enacted during the 2019 legislative session, the District's Maintenance and Operations tax rate is required to be compressed annually based on a state mandated formula.
(B) As of June 30, 2026; unaudited estimated figure, subject to change.

TABLE 6 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2025/26 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Oncor Electric Delivery Co. LLC	Electric Utility	$61,736,320	2.25%
West Fraser US/Norbord Texas	Manufacturing	56,323,240	2.05%
Pilgrim's Pride Corp.	Poultry Processing	48,297,180	1.76%
SFA 1411 Owner LP	Commercial Property	39,740,000	1.45%
Cooper Power Systems (Eaton)	Electric Utility/Power Plant	33,330,390	1.22%
Union Pacific Railroad Co.	Railroad	27,783,410	1.01%
Cardinal Street Housing	Commercial Property	23,500,000	0.86%
Cooper Power Systems Inc	Electric Utility/Power Plant	20,871,440	0.76%
NIBCO Inc.	Commercial Irrigation Supplies	16,705,530	0.61%
Medhorizons Ltd.	Hospital	15,810,340	0.58%
Total.......		**$344,097,850**	**12.55%**

Name of Taxpayer	Nature of Property	2024/25 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Norbord Texas LP	Manufacturing	$59,057,180	2.05%
Oncor Electric Delivery Co. LLC	Electric Utility	57,891,530	2.01%
Pilgrim's Pride Corp.	Poultry Processing	45,893,340	1.60%
SFA 1411 Owner LP	Commercial Property	40,741,000	1.42%
Medhorizons Ltd.	Hospital	29,451,900	1.02%
Union Pacific Railroad Co.	Railroad	25,924,670	0.90%
Cardinal Street Housing	Commercial Property	25,555,000	0.89%
Cooper Power Systems Inc	Electric Utility/Power Plant	22,119,880	0.77%
NIBCO Inc.	Commercial Irrigation Supplies	16,657,600	0.58%
Elliott Electric Supply Inc.	Electrical Supplies	14,357,880	0.50%
Total.......		**$337,649,980**	**11.74%**

Source: The Municipal Advisory Council of Texas and NCAD. Top Ten Taxpayers for FY2026/27 are not yet available.

TABLE 7 - ESTIMATED OVERLAPPING DEBT STATEMENT

Expenditures of the various taxing entities within the territory of the District are paid out of ad valorem taxes levied by such entities on properties within the District. Such entities are independent of the District and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax bonds ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional bonds since the date of such reports, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the District.

	Gross Debt[A]		Overlapping	
Taxing Body	**Amount**	**As of**	**Percent (%)[A]**	**Amount ($)**
Nacogdoches Co	$ -	07/31/2026	63.20%	$ -
Nacogdoches, City of	41,980,000	07/31/2026	99.65%	41,833,070
Total Overlapping Debt				$ 41,833,070
Nacogdoches Independent School District (as of August 15, 2026)				$ 67,665,000 [B]
Total Direct and Overlapping Debt				$ 109,498,070
Ratio of Total Direct and Overlapping Debt to Taxable Assessed Valuation				3.76%
Per Capita Direct and Overlapping Debt				$2,483

[A] Source: The Municipal Advisory Council of Texas.
[B] Excludes the Refunded Bonds; includes the Bonds.

TABLE 8 - DEBT SERVICE REQUIREMENTS

Calendar Year Ending [A]	Outstanding Debt Service		Less: The Refunded Bonds	Plus: The Bonds		Total Debt Service Requirement
	Principal	Interest	Total	Principal	Interest	
2026	$ 3,320,000	$ 3,065,450	$ -	$ -	$ -	$ 6,385,450 [B]
2027	2,825,000	2,830,050	(250,000)	4,970,000	92,633	10,662,683 [C]
2028	2,970,000	2,685,175	(250,000)	10,000	1,134	5,416,309
2029	2,215,000	2,555,550	(250,000)	10,000	687	4,531,237
2030	2,325,000	2,442,050	(250,000)	10,000	231	4,527,281
2031	2,435,000	2,335,225	(250,000)	-	-	4,520,225
2032	2,535,000	2,235,825	(250,000)	-	-	4,520,825
2033	2,635,000	2,132,425	(250,000)	-	-	4,517,425
2034	2,745,000	2,024,825	(250,000)	-	-	4,519,825
2035	2,855,000	1,912,825	(250,000)	-	-	4,517,825
2036	2,970,000	1,796,325	(250,000)	-	-	4,516,325
2037	3,095,000	1,675,025	(250,000)	-	-	4,520,025
2038	3,220,000	1,548,725	(250,000)	-	-	4,518,725
2039	3,350,000	1,417,325	(250,000)	-	-	4,517,325
2040	3,485,000	1,284,225	(250,000)	-	-	4,519,225
2041	3,620,000	1,149,325	(250,000)	-	-	4,519,325
2042	3,760,000	1,008,925	(250,000)	-	-	4,518,925
2043	3,905,000	862,813	(250,000)	-	-	4,517,813
2044	4,055,000	710,775	(250,000)	-	-	4,515,775
2045	4,240,000	527,250	(250,000)	-	-	4,517,250
2046	4,460,000	309,750	(1,259,125)	-	-	3,510,625
2047	3,965,000	99,125	(4,064,125)	-	-	-
TOTAL	**$ 70,985,000**	**$ 36,608,988**	**$ (10,073,250)**	**$ 5,000,000**	**$ 94,683**	**$ 102,810,421**

[A] The District's fiscal year end is June 30. Debt service requirements are presented on a calendar year basis to conform to the District's manner of budgeting for debt service payments.
[B] The District defeased $4,375,000 in principal from its Series 2019 Bonds on 5/14/2026. The debt service for 2026 does not reflect the issuer contribution to the defeasance. The debt service for 2027 - 2047 reflects debt service after the cash defeasance.
[C] 2027 ProForma debt service includes estimated issuer contribution to the Bonds for cost of issuance.

TABLE 9 - AD VALOREM TAX BONDS AUTHORIZED BUT UNISSUED

The District has no authorized but unissued debt.

TABLE 10 - TAX ADEQUACY[(A)]

Average Annual Debt Service Requirements (FY2027 - FY2046)	$	4,821,249
Estimated State Funding for Debt Service		(800,000) [(B)]
Net Average Annual Debt Service Requirements	$	4,021,249
$0.1412 tax rate on 2026/27 Certified TAV @ 98.0% collection rate produces	$	4,024,561
Maximum Annual Debt Service Requirements (FY2027)	$	10,662,683
Estimated State Funding for Debt Service		(800,000) [(B)]
Net Maximum Annual Debt Service Requirements	$	9,862,683
$0.3462 tax rate on 2026/27 Certified TAV @ 98.0% collection rate produces	$	9,867,584

[(A)] Debt service figures do not include administrative fees or issuer contributions for issuances costs.

[(B)] A portion of the debt service payable on the District's outstanding bonds has been paid with funds received from the State of Texas pursuant to the Additional State Aid for Homestead Exemption ("ASAHE") for Facilities Program. The amount of ASAHE State funding for debt service may differ substantially from year to year, depending on a number of factors, including amounts, if any, appropriated for that purpose by the Texas Legislature from time to time. Source of amounts listed: TEA Summary of Finance Report for the District for FY2026. District estimated ASAHE for both calculations.

TABLE 11 - STATEMENT OF ACTIVITIES

	Fiscal Years Ending June 30,				
	2025	2024	2023	2022	2021
Program Revenues					
Charges for Services	$ 1,837,246	$ 1,307,360	$ 1,460,158	$ 1,306,533	$ 937,365
Operating Grants & Contributions	18,202,966	31,611,632	26,117,058	28,616,489	18,332,387
General Revenues					
Property Taxes	29,229,910	27,598,021	32,071,028	29,027,288	27,995,104
Investment Earnings	2,291,599	2,952,129	2,238,126	352,105	338,672
Operating Grants and Contributions	40,349,754	39,055,794	31,188,825	35,828,158	28,702,711
Other	382,745	620,924	775,818	124,796	185,989
Total Revenues	**$ 92,294,220**	**$ 103,145,860**	**$ 93,851,013**	**$ 95,255,369**	**$ 76,492,228**
Expenses					
Instruction	$ 40,802,772	$ 43,751,041	$ 37,922,528	$ 35,153,210	$ 41,093,869
Instructional Resources & Media Services	820,861	853,809	798,317	911,038	922,848
Curriculum & Instructional Staff Develop.	1,380,952	2,144,639	1,659,004	1,710,085	1,870,440
Instructional Leadership	3,169,114	2,647,796	1,965,440	1,581,261	1,509,580
School Leadership	4,560,604	4,765,135	4,367,573	3,772,313	3,976,748
Guidance, Counseling & Eval. Services	2,599,681	3,049,173	2,901,101	2,685,595	2,787,913
Social Work Services	597,935	732,639	619,605	506,736	424,768
Health Services	747,907	843,496	767,854	752,732	924,905
Student (Pupil) Transportation	3,373,752	2,886,980	3,429,046	3,108,301	2,755,818
Food Services	4,526,652	5,119,743	4,727,038	4,273,282	3,834,947
Cocurricular/Extracurricular Activities	2,962,580	2,956,010	2,690,092	2,367,720	2,551,950
General Administration	2,961,341	2,568,561	2,540,473	2,387,100	1,996,012
Plant Maintenance and Operations	11,386,848	10,729,898	10,138,401	7,516,065	6,774,911
Security & Monitoring Services	2,450,090	1,211,308	832,254	753,486	880,135
Data Processing Services	1,864,400	1,736,693	1,742,857	2,092,620	1,814,638
Community Services	576,604	419,417	292,173	151,970	150,341
Interest on Long-Term Debt	3,040,036	3,364,309	3,426,122	3,518,437	3,630,619
Bond Issuance Costs and Fees	8,233	-	-	-	823
Intergovernmental Charges	450,479	453,803	457,996	389,439	361,507
Total Expenses	**$ 88,280,841**	**$ 90,234,450**	**$ 81,277,874**	**$ 73,631,390**	**$ 78,262,772**
Increase (decrease) in Net Position	**$ 4,013,379**	**$ 12,911,410**	**$ 12,573,139**	**$ 21,623,979**	**$ (1,770,544)**
Beginning Net Position	77,361,895	64,450,485	51,877,346	30,253,367	32,023,556
Prior Period Adjustments	-	-	-	-	355
Ending Net Position	**$ 81,375,274**	**$ 77,361,895**	**$ 64,450,485**	**$ 51,877,346**	**$ 30,253,367**

Source: The District's Audited Financial Statements.

TABLE 12 - GENERAL FUND REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

	Fiscal Years Ending June 30,				
	2025	2024	2023	2022	2021
Revenues					
Local and Intermediate Sources	$ 21,675,874	$ 21,079,816	$ 26,980,888	$ 23,878,062	$ 23,507,973
State Program Revenues	42,302,697	41,612,610	33,715,275	38,577,063	30,073,200
Federal Program Revenues	267,593	1,168,664	2,241,662	1,848,420	1,219,364
Total Revenues	**$ 64,246,164**	**$ 63,861,090**	**$ 62,937,825**	**$ 64,303,545**	**$ 54,800,537**
Expenditures					
Instruction	$ 32,484,845	$ 30,912,570	$ 28,658,462	$ 27,235,266	$ 29,655,229
Inst. Resources & Media Services	744,798	759,764	697,251	846,519	855,815
Curriculum & Inst. Staff Develop.	530,418	512,087	539,150	484,280	422,420
Instructional Leadership	2,581,627	2,044,964	1,571,459	1,461,878	1,374,080
School Leadership	3,755,269	3,806,659	3,625,673	3,512,053	3,641,808
Guidance, Counseling & Eval. Services	1,962,514	2,139,746	2,254,110	2,265,586	2,198,733
Social Work Services	487,261	435,695	354,010	361,763	378,900
Health Services	710,618	677,126	666,345	629,627	659,133
Student (Pupil) Transportation	2,992,420	3,489,499	3,040,470	2,506,606	2,532,858
Food Services	11,238	80,518	96,532	98,509	167,228
Cocurricular/Extracurricular Activities	1,826,292	1,935,316	1,859,908	1,645,858	1,754,330
General Administration	2,865,201	2,391,164	2,457,344	2,377,150	1,877,928
Plant Maintenance and Operations	8,048,664	7,162,420	7,265,343	6,151,642	5,742,212
Security & Monitoring Services	1,227,066	1,065,623	685,974	668,153	597,310
Data Processing Services	1,593,151	1,368,584	1,368,543	1,247,042	1,450,019
Community Services	229,081	71,040	79,018	60,866	52,735
Debt Service	7,967,150	134,300	135,910	135,760	435,556
Capital Outlay	1,737,297	3,143,508	976,426	209,149	397,718
Intergovernmental Charges	450,479	453,803	457,996	389,439	361,507
Total Expenditures	**$ 72,205,389**	**$ 62,584,386**	**$ 56,789,924**	**$ 52,287,146**	**$ 54,555,519**
Excess (deficiency) of Revenues Over Expenditures	(7,959,225)	1,276,704	6,147,901	12,016,399	245,018
Other Resources and (Uses):	-	-	(9,825,854)	(100,000)	395,922
Net Changes in Fund Balances	(7,959,225)	1,276,704	(3,677,953)	11,916,399	640,940
Beginning Fund Balance	44,243,492	42,966,788	46,644,741	34,728,342	34,087,402
Prior Period Adjustments	-	-	-	-	-
Ending Fund Balance	**$ 36,284,267**	**$ 44,243,492**	**$ 42,966,788**	**$ 46,644,741**	**$ 34,728,342**

Source: The District's Audited Financial Statements.

TABLE 13 - CURRENT INVESTMENTS

As of June 30, 2026, the District's investable funds were invested as follows:

Description of Investment	Book Value	Percentage
Texas CLASS Investment Pool	$ 26,803,471	73.35%
TexSTAR Investment Pool	2,089,420	5.72%
Lone Star Investment Pool	2,485,376	6.80%
Citizens 1st Bank - Money Market	4,432,710	12.13%
Certificates of Deposit	732,870	2.01%
Total	**$ 36,543,847**	**100.00%**

(A) Texas CLASS, TexSTAR and Lone Star are pooled investment funds that operate pursuant to Chapter 2256, Texas Government Code, as amended. Texas CLASS, TexSTAR and Lone Star operate as money market equivalent, in a manner consistent with the SEC's Rule2a-7 under the Investment Company Act of 1940.

APPENDIX B

GENERAL INFORMATION REGARDING THE DISTRICT

APPENDIX B

GENERAL INFORMATION REGARDING THE DISTRICT

THE DISTRICT

The Nacogdoches Independent School District is located in Nacogdoches County (the "County") approximately 180 miles southeast of the Dallas/Fort Worth Metroplex and includes the City of Nacogdoches (the "City"). The City is located at the intersection of U.S. Highway 59 and State Highways 7 and 21 and is the county seat and principal commercial and industrial center of the County. The County is located in Central East Texas and has an economy based on agriculture, lumber, manufacturing and tourism. Agricultural income is derived primarily from poultry, cattle, dairy and timber. East Texas is also a recreational region with many lakes and forests. Almost two-thirds of Nacogdoches County is covered with pine and other trees. The City of Nacogdoches had a 2020 population of 32,147 and has a current estimated population of 32,500. The County had a 2020 population of 64,653 and has a current estimated population of 66,035.

Source: Texas Municipal Advisory Council.

DISTRICT ENROLLMENT

School Year	Total Enrollment	Refined Average Daily Attendance
2017	6,382	5,927.475
2018	6,315	5,816.170
2019	6,249	5,731.774
2020	6,213	5,297.926
2021	5,904	5,240.650
2022	5,903	5,377.049
2023	5,943	5,293.320
2024	5,863	5,220.109
2025	5,766	5,161.560
2026	5,527	4,985.564

Source: The District.

DISTRICT FACULTY AND EMPLOYEE INFORMATION

Nacogdoches Independent School District		
Number of teachers holding masters degrees		95
Number of teachers holding bachelors degrees		322
Employee Information		
Number of Employees	990	
Number of Teachers	424	
District Wide Pupil/Teacher Ratio	13:1	
Elementary School Pupil/Teacher Ratio	13.5:1	
Middle School Pupil/Teacher Ratio	12.9:1	
High School Pupil/Teacher Ratio	13.4:1	
Alternative Campus Pupil/Teacher Ratio	6.4:1	

Source: The District.

CAMPUS INFORMATION

Campus	Number of Schools	Capacity	Number of Portables
Elementary Schools	6	4,256	2
Middle Schools	1	2,152	--
High Schools	1	1,944	--
Alternative Campus	1	330	--
Totals	9	8,682	2

Source: The District.

HISTORICAL EMPLOYMENT DATA (ANNUAL AVERAGE DATA)

	Annual Average				May
	2022	**2023**	**2024**	**2025**	**2026**
Nacogdoches County					
Civilian Labor Force	28,561	28,920	29,097	28,689	27,905
Total Employment	27,360	27,360	27,837	27,393	26,529
Unemployment	1,201	1,223	1,260	1,296	1,376
Percent Unemployment	4.2%	4.2%	4.3%	4.5%	4.9%
State of Texas					
Civilian Labor Force	14,784,035	15,248,074	15,628,870	15,888,632	15,915,979
Total Employment	14,200,881	14,636,691	14,985,161	15,218,369	15,238,091
Unemployment	583,154	611,383	643,709	665,263	677,888
Percent Unemployment	3.9%	4.0%	4.1%	4.2%	4.3%

*Source Texas Workforce Commission.

APPENDIX C

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

APPENDIX C

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	20245
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 made to the ASF 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):

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.

[Remainder of page left blank intentionally.]

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.

[Remainder of page left blank intentionally.]

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.

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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[2]	47,047,688,784	62,766,382,537
2024[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.

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

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

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.

APPENDIX D

FORM OF LEGAL OPINION OF BOND COUNSEL

Orrick, Herrington & Sutcliffe LLP
609 Main Street
40th Floor
Houston, Texas 77002
orrick.com

September 10, 2026

We have acted as Bond Counsel to the Nacogdoches Independent School District (the "District") in connection with the issuance of $5,000,000 aggregate principal amount of bonds designated as "Nacogdoches Independent School District Unlimited Tax Refunding Bonds, Taxable Series 2026" (the "Bonds"). The Bonds are authorized by an order adopted by the Board of Trustees of the District on July 16, 2026, authorizing the issuance of the Bonds and the pricing certificate executed on the date of the sale of the Bonds finalizing the terms thereof (together, the "Bond Order"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Bond Order.

We have acted as Bond Counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas. In such capacity, we have examined the Constitution and laws of the State of Texas; the Bond Order; and a transcript of certain certified proceedings pertaining to the issuance of the Bonds and the bonds that are being refunded (the "Refunded Bonds") with the proceeds of the Bonds as described in the Bond Order. The transcript contains certified copies of certain proceedings of the Issuer and U.S. Bank National Association (the "Escrow Agent"); the report (the "Report") of Robert Thomas, CPA, LLC, which verifies the sufficiency of the deposit made with the Escrow Agent and certain other matters related to the defeasance of the Refunded Bonds and the mathematical accuracy of certain computations of the yield on the Bonds and the obligations acquired with the proceeds of the Bonds; certain certifications and representations and other material facts within the knowledge and control of the District, upon which we rely; and certain other customary documents and instruments authorizing and relating to the issuance of the Bonds and the firm banking and financial arrangements for the discharge and final payment of the Refunded Bonds. We have also examined executed Bond No. R-1.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Bond Order. We call attention to the fact that the rights and obligations under the Bonds and the Bond Order and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against issuers in the State of Texas. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. We have not assumed any responsibility with respect to the financial condition or capabilities of the District or the disclosure thereof in connection with the sale of the Bonds. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the offering material relating to the Bonds, if any, and express no opinion with respect thereto.

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

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

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

3. The escrow agreement between the District and the Escrow Agent (the "Escrow Agreement") has been duly executed and delivered and constitutes a binding and enforceable agreement in accordance with its terms; the establishment of the Escrow Fund pursuant to the Escrow Agreement and the deposit made therein constitute the making of firm banking and financial arrangements for the discharge and final payment of the Refunded Bonds; in reliance upon the accuracy of the calculations contained in the Report, the Refunded Bonds, having been discharged and paid, are no longer outstanding and the lien on and pledge of ad valorem taxes and other revenues, if any, as set forth in the order(s) authorizing their issuance will be appropriately and legally defeased; the holders of the Refunded Bonds may obtain payment of the principal of, redemption premium, if any, and interest on the Refunded Bonds only out of the funds provided therefor now held in escrow for that purpose by the Escrow Agent pursuant to the terms of the Escrow Agreement; and therefore the Refunded Bonds are deemed to be fully paid and no longer outstanding, except for the purpose of being paid from the funds provided therefor in such Escrow Agreement.

4. Interest on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. We express no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Bonds.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

APPENDIX E

ANNUAL FINANCIAL REPORT FOR YEAR ENDING JUNE 30, 2025

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2025

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2025

CONTENTS

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT
For the Year Ended June 30, 2025

CONTENTS

INTRODUCTORY SECTION

CERTIFICATE OF BOARD

Nacogdoches Independent School District	Nacogdoches	174-904
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 June 30, 2025, at a meeting of the Board of Trustees of such school district on the _____ day of _______________, _____.

Signature of Board Secretary

Signature of Board President

If the Board of Trustees disapproved of the Auditor's report, the reason(s) for disapproving it is (are):

(attach list as necessary)

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Nacogdoches Independent School District
Nacogdoches, 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 the Nacogdoches Independent School District (the "District"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

(Continued)

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

(Continued)

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying supplementary information, such as the combining statements, schedule of delinquent taxes receivable, budgetary comparison schedules, use of funds report for select state allotments, and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents, 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, schedule of delinquent taxes receivable, budgetary comparison schedules, use of funds report for select state allotments and 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

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and the schedule of required response to selected school first indicators 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 December 29, 2025 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Crowe LLP

Crowe LLP

Houston, Texas
December 29, 2025

MANAGEMENT’S DISCUSSION AND ANALYSIS

As management of Nacogdoches Independent School District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with the notes to the basic financial statements and the financial statements themselves to enhance their understanding of the District's financial condition.

FINANCIAL HIGHLIGHTS

- The District's total combined net position at June 30, 2025 was $81,375,274.

- For the fiscal year ended June 30, 2025, the District's general fund reported a total fund balance of $36,284,267, of which $30,723,534 is unassigned.

- At the end of the fiscal year, the District's governmental funds (the general fund plus all special revenue funds, the debt service fund, and the capital projects fund) reported a combined ending fund balance of $55,336,835.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *government-wide financial statements* that provide both long-term and *short-term* information about the District's overall financial status.

- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.

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

- The *proprietary fund* statements provide information related to the District's internal service fund.

- *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a trustee or custodian for the benefit of others to whom the fiduciary resources belong. These funds include student activity and private-purpose trust funds.

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

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements report information about the District as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the District as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the District's financial statements, report information on the District's activities that enable the reader to understand the financial condition of the District. These statements are prepared using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Position presents information on all of the District's assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other nonfinancial factors, such as changes in the District's tax base, staffing patterns, enrollment, and attendance, need to be considered in order to assess the overall health of the District.

The Statement of Activities presents information showing how the District's net position changed during the most recent 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 - the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities include the following class of activities:

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

The government-wide financial statements can be found after the MD&A.

FUND FINANCIAL STATEMENTS

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

- Some funds are required by State law and other funds are mandated by bond agreements or bond covenants.
- The Board of Trustees (the "Board") establishes other funds to control and manage money set aside for particular purposes or to show that the District is properly using certain taxes and grants.
- Other funds are used to account for assets held by the District in a custodial capacity - these assets do not belong to the District, but the District is responsible to properly account for them.

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The District has the following kinds of funds:

- *Governmental funds* - Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- *Proprietary funds* - The District maintains one proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses the internal service fund to account for the print shop and fees. The internal service fund is included within governmental activities in the government-wide financial statements.
- *Fiduciary funds* - The District serves as the trustee, or fiduciary, for certain funds such as student activity funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its governmental operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's combined net position was $81,375,274 at year end, which was an increase of $4,013,379 from prior fiscal year. A portion of the District's net position, 88 percent, reflects its investments in capital assets (e.g., land, construction, and capital assets being depreciated) less any debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide education to their students. Consequently, these assets are not available for future spending. Although the District investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

A portion of the District's net position, 14,238,420, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position may be used to meet the District's ongoing obligation to their community and creditors.

Table 1 focuses on net position while Table 2 shows the revenues and expenses that changed the net position balance during the year. Table 1 indicates a decrease in total assets of $5,051,846, a slight increase in total deferred outflows of resources of $268,512, a decrease in total liabilities of $3,733,028, and a decrease in deferred inflows of resources of $5,063,685 in the current year. The decrease in total assets is primarily from a decrease in restricted assets as a result of debt payments. The decrease in deferred inflows is mainly due to changes related to pension and other postemployment benefits (OPEB). The decrease in total liabilities is primarily due to principal payments on the District's debt outstanding. Table 2 reflects the District reporting a decrease in total revenue of $10,851,640, which is mainly the result of a decrease in operating grants and contributions from state and federal funding along with a decrease in contributions from investment revenue. Total expenses experienced a total decrease of $1,953,609, which is primarily the result of a decrease in instruction expenses, as well as curriculum staff development costs.

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Table 1
Net Position

	Governmental Activities		Total Change
	2025	2024	2025-2024
ASSETS			
Current assets	$ 66,867,614	$ 79,203,313	$ (12,335,699)
Capital assets	157,572,797	150,288,944	7,283,853
Total assets	224,440,411	229,492,257	(5,051,846)
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows - pensions	7,416,830	10,143,951	(2,727,121)
Deferred outflows - OPEB	7,531,695	4,536,062	2,995,633
Total deferred outflows of resources	14,948,525	14,680,013	268,512
LIABILITIES			
Current liabilities	10,655,178	11,293,926	(638,748)
Long-term liabilities	128,161,318	131,255,598	(3,094,280)
Total liabilities	138,816,496	142,549,524	(3,733,028)
DEFERRED INFLOWS OF RESOURCES			
Deferred gain on refunding	233,328	311,104	(77,776)
Deferred inflows - pensions	2,836,460	4,211,448	(1,374,988)
Deferred inflows - OPEB	16,127,378	19,738,299	(3,610,921)
Total deferred inflows of resources	19,197,166	24,260,851	(5,063,685)
NET POSITION			
Net investment in capital assets	71,358,108	56,945,541	14,412,567
Restricted	14,238,420	17,697,663	(3,459,243)
Unrestricted	(4,221,254)	2,718,691	(6,939,945)
Total net position	$ 81,375,274	$ 77,361,895	$ 4,013,379

(Continued)

Table 2
Changes in Net Position

	Governmental Activities 2025	Governmental Activities 2024	Total Change 2025-2024
Revenues			
Program revenues:			
Charges for services	$ 1,837,246	$ 1,307,360	$ 529,886
Operating grants and contributions	18,202,966	31,611,632	(13,408,666)
General revenues:			
Property taxes	29,229,910	27,598,021	1,631,889
Grants and contributions not restricted	40,349,754	39,055,794	1,293,960
Investment earnings	2,291,599	2,952,129	(660,530)
Miscellaneous local and intermediate revenue	382,745	620,924	(238,179)
Total revenues	92,294,220	103,145,860	(10,851,640)
Expenses			
Instruction	40,802,772	43,751,041	(2,948,269)
Instructional resources and media services	820,861	853,809	(32,948)
Curriculum staff development	1,380,952	2,144,639	(763,687)
Instructional leadership	3,169,114	2,647,796	521,318
School leadership	4,560,604	4,765,135	(204,531)
Guidance, counseling, and evaluation services	2,599,681	3,049,173	(449,492)
Social work services	597,935	732,639	(134,704)
Health services	747,907	843,496	(95,589)
Student (pupil) transportation	3,373,752	2,886,980	486,772
Food services	4,526,652	5,119,743	(593,091)
Cocurricular/extracurricular activities	2,962,580	2,956,010	6,570
General administration	2,961,341	2,568,561	392,780
Plant maintenance and operations	11,386,848	10,729,898	656,950
Security and monitoring	2,450,090	1,211,308	1,238,782
Data processing services	1,864,400	1,736,693	127,707
Community services	576,604	419,417	157,187
Interest on long-term debt	3,040,036	3,364,309	(324,273)
Bond issuance costs and fees	8,233	-	8,233
Other intergovernmental charges	450,479	453,803	(3,324)
Total expenses	88,280,841	90,234,450	(1,953,609)
Change in net position	4,013,379	12,911,410	(8,898,031)
Net position - beginning of year	77,361,895	64,450,485	12,911,410
Net position - end of year	$ 81,375,274	$ 77,361,895	$ 4,013,379

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FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At the close of the fiscal year ending June 30, 2025, the District's governmental funds reported a combined fund balance of $55,336,835. This compares to a combined fund balance of $67,321,905 at June 30, 2024.

The ending total fund balance for the general fund was $36,284,267. The general fund's total fund balance includes $266,631 in nonspendable funds for inventories and prepaid items and $5,294,102 assigned for construction and capital expenditures. The general fund's remaining fund balance of $30,723,534 is unassigned and exceeds three months of the general fund's current fiscal year expenditures. There was a decrease in the general fund's total fund balance from prior fiscal year of $7,959,225. The current fiscal year's general fund revenues increased by $385,074 and expenditures increased by $9,621,003 from the prior fiscal year's general fund revenues and expenditures. Revenues in the general fund included an increase in state program revenues of $690,087 primarily from an increase in foundation entitlement funds and a decrease of $901,071 in the federal revenues which was primarily due to a decrease in awards received in the current year. The increase in the general fund's expenditures was primarily due to an increase in principal payments for the payment of the maintenance tax notes.

The fund balance for the debt service fund is restricted for future debt service payments and reported an ending fund balance of $10,832,554 which was an increase of $4,338,748. The current fiscal year's debt service fund revenues increased by $892,673 and expenditures decreased by $2,579,934 from the prior fiscal year's debt service fund revenues and expenditures. The increase in revenues is primarily due to an increase in the property values for debt service. The decrease in expenditures is primarily due to a decrease in principal debt service payments.

The capital projects fund accounts for expenditures related to capital outlay for construction costs. Ending fund balance for the capital projects fund was $3,499,404 which was a decrease of $8,779,008 from prior fiscal year. The restricted fund balance for the capital projects fund was $3,499,404 which is related to unspent debt proceeds. There was an increase in capital project fund expenditures from the prior fiscal year of $3,165,501 due to more capital outlay in the current year.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

During the period ended June 30, 2025, the District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenditures. The general fund's actual revenues exceeded budgeted revenues by $1,701,309. The actual expenditures exceeded budgeted expenditures by $4,558,185 due primarily to an additional payment for the Qualified School Construction Bonds, Series 2009 Maintenance Tax Notes.

CAPITAL ASSETS

Capital assets are generally defined as those items that have useful lives of two years or more and have an initial cost of an amount determined by the Board. Donated capital assets are recorded at acquisition value at the date of donation. During the fiscal year ended June 30, 2025, the District used a capitalization threshold of $5,000, which means that all capital type assets, including library books, with a cost or initial value of less than $5,000 were not included in the capital assets inventory.

At June 30, 2025, the District had a total of $157,572,797 invested in capital assets (net of depreciation) such as land, buildings, and District equipment. This total includes capital assets not being depreciated in the amount of $15,936,892.

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Major capital asset events during the fiscal year included the following:

- Increase in building and improvements from renovation and new infrastructure projects of $2,290,744
- Equipment costs for District-wide operations of $649,909
- School bus of $237,000
- Capital outlay during the fiscal year for construction projects of $5,134,645

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

LONG-TERM DEBT

In the prior year, the District had $90,660,000 in general obligation bonds and maintenance tax notes outstanding. In the current fiscal year, the District paid down a portion of their general obligation bonds, along with the maintenance tax notes outstanding balance, and had remaining general obligation bonds outstanding of $79,560,000 at year end.

More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

ECONOMIC FACTORS AND THE NEXT YEAR'S BUDGET AND RATES

The District's financial outlook continues to be influenced by statewide policy changes, local property values, and the rising cost of operations. For the 2025-2026 fiscal year, certified property values for the District decreased compared to the prior year. This decline is likely attributable to the increased statewide homestead exemption enacted by the Legislature, which reduced the taxable value of residential properties across the community. While a decrease in property values typically constrains revenue growth, the drop allowed the District's Minimum Compressed Rate (MCR) to remain steady, thereby preventing further state-mandated tax rate compression. Enrollment is projected to slightly decline for the upcoming year, while cost pressures in staffing, benefits, insurance, and utilities continue to create challenges for maintaining balanced operations.

For 2025-2026, the Board adopted a General Fund budget of $68,108,430 in total expenditures. This includes a planned deficit of $3,464,938, driven primarily by the carryover of capital project budgets funded through the General Fund. These projects represent strategic one-time investments in facilities and infrastructure rather than structural imbalances in recurring operating costs. The District's only remaining bond-funded initiative is the DSC Training Facility, which is expected to be completed in November 2025.

The adopted tax rate for 2025-2026 totals $1.1352 per $100 of valuation, consisting of a Maintenance & Operations (M&O) rate of $0.7552 and an Interest & Sinking (I&S) rate of $0.38. The steady MCR, coupled with the recent homestead exemption increase, allowed the District to maintain its overall tax rate despite the slight decline in certified values. Looking ahead, the District remains committed to preserving financial stability and sufficient fund balance while continuing to invest in facilities and programs that directly support students and the community.

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CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Nacogdoches Independent School District Business Office at 4632 NE Stallings Drive, Nacogdoches, Texas 75965 or by calling (936) 569-5000.

BASIC FINANCIAL STATEMENTS

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION – EXHIBIT A-1
June 30, 2025

Data Control Codes		1 Governmental Activities
	ASSETS	
1110	Cash and cash equivalents	$ 7,244,069
1120	Current investments	41,604,330
1220	Property taxes receivable (delinquent)	2,697,733
1230	Allowance for uncollectible taxes	(539,176)
1240	Due from other governments	15,328,515
1290	Other receivables	221,162
1300	Inventories	287,275
1410	Prepaids	23,706
		66,867,614
	Capital assets	
1510	Land	4,288,998
1520	Buildings, net	132,068,012
1530	Equipment and vehicles, net	6,375,396
1540	Vehicles, net	3,192,497
1580	Construction in progress	11,647,894
		157,572,797
1000	Total assets	224,440,411
	DEFERRED OUTFLOWS OF RESOURCES	
1705	Deferred outflows - pensions	7,416,830
1710	Deferred outflows - OPEB	7,531,695
1700	Total deferred outflows of resources	14,948,525
	LIABILITIES	
2110	Accounts payable	3,328,243
2140	Interest payable	1,282,957
2150	Payroll deductions payable	277,558
2160	Accrued wages payable	5,754,409
2300	Unearned revenue	11,011
2440	Other liabilities	1,000
		10,655,178
	Noncurrent liabilities	
2501	Long-term liabilities due within one year	6,832,420
2502	Long-term liabilities due in more than one year	83,051,630
2540	Net pension liability	23,181,089
2545	Net OPEB liability	15,096,179
		128,161,318
2000	Total liabilities	138,816,496
	DEFERRED INFLOWS OF RESOURCES	
2601	Deferred gain on refunding	233,328
2605	Deferred inflows - pensions	2,836,460
2610	Deferred inflows - OPEB	16,127,378
2600	Total deferred inflows of resources	19,197,166
	NET POSITION	
3200	Net investment in capital assets	71,358,108
	Restricted for:	
3820	State and federal programs	2,653,334
3850	Debt service	9,549,597
3890	Other purposes	2,035,489
3900	Unrestricted	(4,221,254)
3000	Total net position	$ 81,375,274

See Notes to Financial Statements.

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES – EXHIBIT B-1
For the year ended June 30, 2025

			Program Revenues		Net (Expense) Revenue and Changes in Net Position
		1	3	4	6
					Primary Gov.
Data Control Codes	Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
	Primary Government				
	Governmental activities				
11	Instruction	$ 40,802,772	$ 1,023,287	$ 6,506,906	$ (33,272,579)
12	Instructional resources and				
12	media services	820,861	-	31,280	(789,581)
13	Curriculum/instructional staff				
13	development	1,380,952	534	843,726	(536,692)
21	Instructional leadership	3,169,114	-	466,498	(2,702,616)
23	School leadership	4,560,604	91,207	701,399	(3,767,998)
31	Guidance, counseling, and				
31	evaluation services	2,599,681	17,286	593,428	(1,988,967)
32	Social w ork services	597,935	12,577	92,754	(492,604)
33	Health services	747,907	-	79,329	(668,578)
34	Student (pupil) transportation	3,373,752	120,902	19,273	(3,233,577)
35	Food services	4,526,652	219,716	5,000,535	693,599
36	Extracurricular activities	2,962,580	314,384	58,415	(2,589,781)
41	General administration	2,961,341	7,933	25,154	(2,928,254)
51	Plant maintenance and operations	11,386,848	-	114,940	(11,271,908)
52	Security and monitoring services	2,450,090	-	1,359,767	(1,090,323)
53	Data processing services	1,864,400	-	6,935	(1,857,465)
61	Community services	576,604	29,420	418,212	(128,972)
72	Debt service - interest on				
72	long-term debt	3,040,036	-	-	(3,040,036)
73	Debt service - Bond issuance				
73	costs and fees	8,233	-	-	(8,233)
81	Facilities acquisition and construction	-	-	1,884,415	1,884,415
99	Other intergovernmental charges	450,479	-	-	(450,479)
TG	Total governmental activities	88,280,841	1,837,246	18,202,966	(68,240,629)
TP	Total primary government	$ 88,280,841	$ 1,837,246	$ 18,202,966	$ (68,240,629)
		General revenues			
MT		Property taxes, levied for general purposes			19,435,375
DT		Property taxes, levied for debt service			9,794,535
GC		Grants and contributions not restricted for			
GC		specific programs			40,349,754
IE		Investment earnings			2,291,599
MI		Miscellaneous local and intermediate revenue			382,745
TR		Total general revenues			72,254,008
CN		Change in net position			4,013,379
NB		Beginning net position			77,361,895
NE		Ending net position			$ 81,375,274

See Notes to Financial Statements.

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS – EXHIBIT C-1
June 30, 2025

Data Control Codes		10 General	50 Debt Service	60 Capital Projects	ONMF Nonmajor Governmental Funds	98 Total Governmental Funds
	ASSETS					
1110	Cash and cash equivalents	$ 2,829,917	$ 848,656	$ -	$ 3,565,496	$ 7,244,069
1120	Current investments	28,814,528	9,991,192	1,746,719	1,051,891	41,604,330
1220	Property taxes - delinquent	1,958,287	739,446	-	-	2,697,733
1230	Allowance for uncollectibles taxes	(446,585)	(92,591)	-	-	(539,176)
1240	Due from other governments	12,333,071	-	-	2,995,444	15,328,515
1260	Due from other funds	7,343,581	-	7,769,407	8	15,112,996
1290	Other receivables	-	-	-	221,162	221,162
1300	Inventories	242,925	-	-	31,787	274,712
1410	Prepaid items	23,706	-	-	-	23,706
1000	Total assets	$ 53,099,430	$ 11,486,703	$ 9,516,126	$ 7,865,788	$ 81,968,047
	LIABILITIES					
2110	Accounts payable	$ 1,618,319	$ -	$ 1,179,673	$ 530,251	$ 3,328,243
2150	Payroll deductions	277,558	-	-	-	277,558
2160	Accrued wages payable	5,638,169	-	-	116,240	5,754,409
2170	Due to other funds	7,769,415	-	4,837,049	2,493,969	15,100,433
2300	Unearned revenue	-	7,293	-	3,718	11,011
2440	Other liabilities	-	-	-	1,000	1,000
2000	Total liabilities	15,303,461	7,293	6,016,722	3,145,178	24,472,654
	DEFERRED INFLOWS OF RESOURCES					
2600	Unavailable revenue - property					
2600	taxes	1,511,702	646,856	-	-	2,158,558
	FUND BALANCES					
	Nonspendable					
3410	Inventories	242,925	-	-	31,787	274,712
3430	Prepaid items	23,706	-	-	-	23,706
	Restricted					
3450	Federal/state funds grant					
3450	restrictions	-	-	-	2,653,334	2,653,334
3470	Capital acquisitions and					
3470	contractual obligations	-	-	3,499,404	-	3,499,404
3480	Retirement of long-term debt	-	10,832,554	-	-	10,832,554
3490	Other restrictions of fund balance	-	-	-	2,035,489	2,035,489
	Assigned					
3550	Construction	2,659,802	-	-	-	2,659,802
3570	Capital expenditures for equipment	2,634,300	-	-	-	2,634,300
3600	Unassigned	30,723,534	-	-	-	30,723,534
3000	Total fund balances	36,284,267	10,832,554	3,499,404	4,720,610	55,336,835
4000	Total liabilities, deferred inflows					
4000	of resources, and fund balances	$ 53,099,430	$ 11,486,703	$ 9,516,126	$ 7,865,788	$ 81,968,047

See Notes to Financial Statements.

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION – EXHIBIT C-1R
June 30, 2025

Total fund balances for governmental funds		$ 55,336,835
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.	$ 15,936,892	
Capital assets - nondepreciable	141,635,905	
Capital assets - depreciable, net		157,572,797
Other long-term assets (deferred taxes) are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		2,158,558
Deferred items and som liabilities, including bonds payable, net pension and net other postemployment benefits (OPEB), are not reported as liabilities or deferred items in the governmental funds.		
Deferred outflows of resources related to pensions	7,416,830	
Deferred inflows of resources related to pensions	(2,836,460)	
Deferred outflows of resources related to OPEB	7,531,695	
Deferred inflows of resources related to OPEB	(16,127,378)	
Accrued interest	(1,282,957)	
Deferred gain on refunding	(233,328)	
Compensated absences	(3,902,689)	
Premium on long-term debt	(6,421,361)	
Long-term debt	(79,560,000)	
Net pension liability	(23,181,089)	
Net OPEB liability	(15,096,179)	
		(133,692,916)
Net position of governmental activities		$ 81,375,274

See Notes to Financial Statements.

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS – EXHIBIT C-2
For the year ended June 30, 2025

Data Control Codes		10 General	50 Debt Service	60 Capital Projects	ONMF Nonmajor Governmental Funds	98 Total Governmental Funds
	Revenues					
5700	Local, intermediate, and out-of-state	$ 21,675,874	$ 9,989,327	$ 211,527	$ 1,669,024	$ 33,545,752
5800	State program revenues	42,302,697	1,160,629	-	3,901,956	47,365,282
5900	Federal program revenues	267,593	-	-	12,976,865	13,244,458
5020	Total revenues	64,246,164	11,149,956	211,527	18,547,845	94,155,492
	Expenditures					
0011	Instruction	32,484,845	-	-	6,434,464	38,919,309
0012	Instructional resources and					
0012	media services	744,798	-	-	21,194	765,992
0013	Curriculum and instructional					
0013	staff development	530,418	-	-	814,242	1,344,660
0021	Instructional leadership	2,581,627	-	-	538,136	3,119,763
0023	School leadership	3,755,269	-	-	719,366	4,474,635
0031	Guidance, counseling, and					
0031	evaluation services	1,962,514	-	-	581,592	2,544,106
0032	Social work services	487,261	-	-	94,219	581,480
0033	Health services	710,618	-	-	23,164	733,782
0034	Student (pupil) transportation	2,992,420	-	-	-	2,992,420
0035	Food service	11,238	-	-	4,785,362	4,796,600
0036	Extracurricular activities	1,826,292	-	-	328,102	2,154,394
0041	General administration	2,865,201	-	-	7,933	2,873,134
0051	Plant maintenance and operations	8,048,664	-	-	208,878	8,257,542
0052	Security and monitoring services	1,227,066	-	-	1,354,163	2,581,229
0053	Data processing services	1,593,151	-	-	-	1,593,151
0061	Community services	229,081	-	-	338,200	567,281

(Continued)

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS – EXHIBIT C-2
For the year ended June 30, 2025

Data Control Codes		10 General	50 Debt Service	60 Capital Projects	ONMF Nonmajor Governmental Funds	98 Total Governmental Funds
	Debt service					
0071	Principal	$ 7,900,000	$ 3,200,000	$ -	$ -	$ 11,100,000
0072	Interest and fiscal charges	67,150	3,602,975	-	-	3,670,125
0073	Issuance costs and fees	-	8,233	-	-	8,233
0081	Capital outlay					
0081	Facilities acquisition & construction	1,737,297	-	8,990,535	1,884,415	12,612,247
	Intergovernmental					
0099	Other intergovernmental charges	450,479	-	-	-	450,479
6030	Total expenditures	72,205,389	6,811,208	8,990,535	18,133,430	106,140,562
1200	Net change in fund balances	(7,959,225)	4,338,748	(8,779,008)	414,415	(11,985,070)
0100	Beginning fund balances	44,243,492	6,493,806	12,278,412	4,306,195	67,321,905
3000	Ending fund balances	$ 36,284,267	$ 10,832,554	$ 3,499,404	$ 4,720,610	$ 55,336,835

See Notes to Financial Statements.

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES – EXHIBIT C-3
For the year ended June 30, 2025

Net change in fund balances - total governmental funds	$ (11,985,070)
Amounts reported for governmental activities in the Statement of Activities are different because:	
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.	
Depreciation	(7,976,318)
Capital additions, net of disposals of assets	15,260,171
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	195,748
The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when it is first issued; whereas, these amounts are deferred and amortized in the Statement of Activities.	
Scheduled principal repayments	11,100,000
Change in accrued interest	92,371
Amortization of loss on bond refunding	77,776
Amortization of premiums	459,942
Pension and other postemployment benefits (OPEB) activity reported in Statement of Activities does not require the use of current financial resources and, therefore, is not reported as an expenditure or revenue in governmental funds.	
Change in compensated absences	(3,902,689)
Change in net pension liability	(157,699)
Change in net OPEB liability	(4,405,274)
Change in deferred outflows - pensions	(2,727,121)
Change in deferred inflows - pensions	1,374,988
Change in deferred outflows - OPEB	2,995,633
Change in deferred inflows - OPEB	3,610,921
Net on-behalf contributions adjustment - revenues	830,619
Net on-behalf contributions adjustment - expenses	(830,619)
Some revenues/expenditures reported in the governmental funds are not recognized as revenues/expenditures in the Statement of Activities.	
Fund level on-behalf adjustment - revenues	(2,887,639)
Fund level on-behalf adjustment - expenses	2,887,639
Change in Net Position of Governmental Activities	$ 4,013,379

See Notes to Financial Statements.

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
INTERNAL SERVICE FUND – EXHIBIT D-1
June 30, 2025

Data Control Codes		Internal Service Fund Print Shop
	ASSETS	
1300	Inventories, at cost	$ 12,563
1000	Total assets	12,563
	LIABILITIES	
	Current liabilities	
2170	Due to other funds	$ 12,563
2000	Total liabilities	12,563
	NET POSITION	
3600	Unrestricted	-
3000	Total net position	-
4000	Total liabilities and net position	$ 12,563

See Notes to Financial Statements.

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUND – EXHIBIT D-2
For the year ended June 30, 2025

Data Control Codes		Internal Service Fund Print Shop
	Operating revenues	
5700	Local and intermediate sources	$ -
5020	Total operating revenues	-
	Operating expenses	
6100	Payroll costs	-
6200	Professional and contracted services	-
6030	Total operating expenses	-
1200	Changes in net position	-
0100	Beginning net position	-
3000	Ending net position	$ -

See Notes to Financial Statements.

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUND – EXHIBIT D-3
For the year ended June 30, 2025

	Internal Service Fund Print Shop
Cash flows from operating activities	
Cash payments to suppliers for goods and services	$ -
Net cash (used) by operating activities	-
Increase (decrease) in cash and cash equivalents	-
Beginning cash and cash equivalents	-
Ending cash and cash equivalents	$ -
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Increases and decreases in current assets and liabilities	
Decrease in inventory	$ 1
(Decrease) in due to other funds	(1)
Net cash (used) by operating activities	$ -

See Notes to Financial Statements.

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS – EXHIBIT E-1
June 30, 2025

Data Control Codes		Private - Purpose Trust Fund	Custodial Fund Student Activity
	ASSETS		
1110	Cash and cash equivalents	$ 4,630	$ 127,270
1290	Other receivables	-	1,500
1000	Total assets	4,630	128,770
	LIABILITIES		
2120	Other liabilities	-	301
2000	Total liabilities	-	301
	NET POSITION		
3800	Held in trust	4,630	-
3810	Restricted for student activity	-	128,469
3000	Total net position	$ 4,630	$ 128,469

See Notes to Financial Statements.

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS – EXHIBIT E-2
For the year ended June 30, 2025

	Private - Purpose Trust Fund	Custodial Fund Student Activitity
Additions		
Student club fees	$ -	$ 76,123
Student group fundraising activities	-	230,529
Total additions	-	306,652
Deductions		
Participation fees	-	157,338
Student activities	-	82,182
Total deductions	-	239,520
Change in net position	-	67,132
Beginning net position	4,630	61,337
Ending net position	$ 4,630	$ 128,469

See Notes to Financial Statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: Nacogdoches Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas (the "State"). It is governed by a seven-member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB), and it complies with the requirements of the appropriate version of Texas Education Agency's (TEA) Financial Accountability System Resource Guide (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

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

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

Basis of Presentation - Government-Wide Financial Statements: While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental and internal service funds. Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

Basis of Presentation - Fund Financial Statements: The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category - governmental, proprietary, and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following governmental funds:

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Special Revenue Funds: The special revenue funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects. The restricted or committed proceeds of specific revenue sources comprise a substantial portion of the inflows of these special revenue funds. Most federal and some state financial assistance are accounted for in a special revenue fund. The special revenue funds are not considered major funds for reporting purposes.

Proprietary Funds: Proprietary funds are used to account for activities that are similar to those often found in the private sector. The measurement focus is on determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues include charges for services. Operating expenses includes costs of material, contracts, personnel, and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District has the following types of proprietary funds:

Internal Service Fund: This fund is used to account for and report revenue and expenses related to services provided to parties inside the District on a cost reimbursement basis and account for the District's print shop. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the governmental activities column of the governmental-wide financial statements.

Fiduciary Funds: The fiduciary funds account for assets held by the District in a trustee capacity or as a custodian on behalf of others. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

The District has the following type of fiduciary funds:

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

Private-Purpose Trust Fund: The private-purpose trust fund is used to report resources held in trust. Private-purpose trust funds are accounted for using the accrual basis of accounting. This fund is used to account for the District's scholarship trust funds.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

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

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance:

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

Capital Assets: Capital assets, which include land, buildings, furniture, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition cost at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Description	Estimated Useful Life
Buildings and improvements	5 to 40 years
Furniture, equipment, and vehicles	3 to 20 years

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension/other postemployment benefits (OPEB) activities are amortized over the average of the expected service lives of pension/OPEB plan members, except for the net differences between the projected and actual investment earnings on the pension/OPEB plan assets, which are amortized over a period of five years.
- For employer pension/OPEB plan contributions that were made subsequent to the measurement date through the end of the District's fiscal year, the amount is deferred and recognized as a reduction to the net pension/OPEB liability during the measurement period in which the contributions were made.
- A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

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

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

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

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Compensated Absences: The District implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, which provides new guidance on the recognition and measurement of liabilities for leave benefits, including vacation, sick leave, and other paid time off. The District recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. Based on the criteria listed, two types of leave qualify for liability recognition for compensated absences – state and local leave. The liability for compensated absences is reported as incurred in the government-wide financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

The State has created a minimum leave program consisting of five days of personal leave per year with no limit on accumulation and transferability among school districts for every person regularly employed in Texas public schools. State leave is not paid out or converted to state pension benefit upon separation from the District. Local school districts may provide additional local sick leave beyond the State minimum. District employees are granted local sick leave depending upon their employment calendar. Each employee should earn local leave in accordance with administrative regulation, and local leave shall accumulate without limit.

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

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

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Policies: Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions are classified as restricted fund balance.

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

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

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

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

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 fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

New Accounting Pronouncement: In June 2022, the GASB issued GASB Statement No. 101, *Compensated Absences*, effective for fiscal years beginning after December 15, 2023. GASB Statement No. 101 requires recognition of a liability for leave when earned if it is attributable to services already rendered and is expected to be paid. The liability includes vacation, sick leave, and other forms of paid time off that accumulate and vest or are expected to be used in future periods. There was no impact to the District's July 1, 2024 beginning net position as a result of the implementation of GASB Statement No. 101.

Revenues and Expenditures/Expenses:

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

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

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

Proprietary Funds Operating and Nonoperating Revenues and Expenses: 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 internal service fund are charges to the District to fund print shop costs. Operating expenses for the internal service fund include print shop expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with GAAP. The original budget is adopted by the District prior to the beginning of the year. The legal level of control is the function code stated in the approved budget. Appropriations lapse at the end of the year, excluding capital project budgets.

(Continued)

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

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

During the year, the District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenditures. These amendments caused material changes in budgeted amounts.

Expenditures in Excess of Appropriations: For the year, expenditures exceeded appropriations at the legal level of control as follows:

General Fund:		
Instructional leadership	$	20,830
School leadership		15,201
General administration		32,893
Principal payments		7,900,000

NOTE 3 - DETAILED NOTES ON ALL FUNDS

Deposits and Investments: At June 30, 2025, the carrying amount of the District's deposits held in a checking account was $7,375,969 and the bank balance was $7,659,575. The District's cash deposits held in a checking account at June 30, 2025, and during the year ended June 30, 2025, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

The District is required by Government Code Chapter 2256, the Public Funds Investment Act (the "Act"), to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Act requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports, and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

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

(Continued)

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

As of June 30, 2025, the District had the following investments:

Investment Type	Value	Weighted Average Maturity (Years)
Texas Class Investment Pool	$ 32,209,532	0.10
TexSTAR Investment Pool	2,009,912	0.12
Lone Star Investment Pool	2,389,892	0.08
Citizens 1st Bank - Money Market	4,263,098	0.00
Certificates of Deposits	731,896	0.05
Total investments	$ 41,604,330	
Portfolio weighted average maturity		0.07

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

Credit risk. The District's policy requires that investment pools must be rated no lower than 'AAA' or 'AAAm'. Bankers' acceptances must be issued in the United States and carry a rating of 'A1'/'P1' as provided by two of the top nationally recognized rating agencies. As of June 30, 2025, the District's investments in investment pools were rated 'AAAm' or 'AAA' by Standard & Poor's.

Custodial credit risk - deposits. In the case of deposits, this is the risk that the District's deposits may not be returned in the event of a bank failure. The District's investment policy requires funds on deposit at the depository bank to be collateralized by securities. As of June 30, 2025, fair market values of pledged securities and FDIC coverage exceeded bank balances.

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

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

(Continued)

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

TexSTAR - The Texas Short-Term Asset Reserve Fund (TexSTAR) is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. TexSTAR was created in April 2002 by contract among its participating governmental units and is governed by a board of directors. JPMorgan Fleming Asset Management, Inc. and First Southwest Asset Management, Inc. act as co-administrators, providing investment management services, participant services, and marketing. JPMorgan Chase Bank and/or its subsidiary, J.P. Morgan Investor Services, Inc., provide custodial, transfer agency, fund accounting, and depository services. TexSTAR is measured at amortized cost. TexSTAR's strategy is to seek preservation of principal, liquidity, and current income through investment in a diversified portfolio of short-term marketable securities. The District has no unfunded commitments related to TexSTAR. TexSTAR has a redemption notice period of one day and may redeem daily. TexSTAR's authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or national or state emergency that affects TexSTAR's liquidity.

Lone STAR - The Lone Star Investment Pool ("Lone Star") is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. Lone Star is administered by First Public, a subsidiary of the Texas Associate of School Boards, with Standish and American Beacon Advisors managing the investment and reinvestment of Lone Star's assets. State Street Bank provides custody and valuation services to Lone Star. All of the Board of Trustees' eleven members are Lone Star participants by either being employees or elected officials of a participant. Lone Star has established an advisory board composed of both Lone Star members and nonmembers. Lone Star is rated 'AAA' by Standard and Poor's and operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

The District is invested in the Government Overnight Fund of Lone Star which seeks to maintain a net asset value of $1.00. Lone Star has 3 different funds: Government Overnight, Corporate Overnight, and Corporate Overnight Plus. Government Overnight, Corporate Overnight, and Corporate Overnight Plus maintain a net asset value of $1.00

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

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

	Beginning Balances	Increase	(Decreases)	Ending Balances
Governmental activities				
Capital assets not being depreciated:				
Land	$ 4,288,998	$ -	$ -	$ 4,288,998
Construction in progress	8,606,891	12,387,973	(9,346,970)	11,647,894
Total capital assets not being depreciated	12,895,889	12,387,973	(9,346,970)	15,936,892
Capital assets, being depreciated:				
Buildings and improvements	192,660,383	9,383,470	(764,617)	201,279,236
Furniture, and equipment	13,049,140	2,304,441	(7,500)	15,346,081
Vehicles	8,736,715	539,283	-	9,275,998
Total other capital assets	214,446,238	12,227,194	(772,117)	225,901,315
Less accumulated depreciation for:				
Buildings and improvements	(63,824,897)	(6,145,293)	758,966	(69,211,224)
Furniture and equipment	(7,874,934)	(1,100,876)	5,125	(8,970,685)
Vehicles	(5,353,352)	(730,149)	-	(6,083,501)
Total accumulated depreciation	(77,053,183)	(7,976,318)	764,091	(84,265,410)
Other capital assets, net	137,393,055	4,250,876	(8,026)	141,635,905
Governmental activities capital assets, net	$ 150,288,944	$ 16,638,849	$ (9,354,996)	157,572,797
	Less associated debt			(85,981,361)
	Less deferred charge on refunding			(233,328)
	Net investment in capital assets			$ 71,358,108

The significant commitments related to construction in progress at year end are as follows:

Project Description	Total in Progress	Remaining Commitment
Warehouse Renovations	$ 669,813	$ 900,797
Fencing	1,757,299	661,951
School Campus Improvements	1,091,584	13,349
Training Conference Center	6,526,182	1,567,341
Outdoor Campus Improvements	1,022,461	261,423
	$ 11,067,339	$ 3,404,860

(Continued)

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

Depreciation was charged to governmental functions as follows:

Data Control Codes		Governmental Activities
11	Instruction	$ 1,993,041
12	Instructional resources and media services	43,851
13	Curriculum and instructional staff development	73
21	Instructional leadership	4,470
23	School leadership	5,958
31	Guidance, counseling, and evaluation services	8,017
32	Social work services	1,755
33	Health services	1,986
34	Student (pupil) transportation	597,278
35	Food services	262,187
36	Cocurricular/extracurricular activities	787,064
41	General administration	60,726
51	Plant maintenance and operations	3,843,709
52	Security and monitoring	78,227
53	Data processing services	285,618
61	Community services	2,358
	Total depreciation expense	$ 7,976,318

Long-Term Debt: The following is a summary of changes in the District's total governmental long-term liabilities for the year. In general, the District uses the debt service fund to liquidate governmental long-term liabilities. The liability for the net pension and the net OPEB liability are liquidated by the general fund.

Governmental activities	Interest Rates	Beginning Balances	Additions	(Reductions)	Ending Balances		Amounts Due Within One Year
Bonds and notes payable							
Series 2015	3.70 - 4.40%	$ 4,345,000	$ -	$ (2,125,000)	$ 2,220,000		$ 2,220,000
Series 2019	4.00 - 5.00%	74,550,000	-	-	74,550,000		-
Series 2020	2.00 - 5.00%	3,865,000	-	(1,075,000)	2,790,000		1,100,000
Series 2009 QSCB	1.70%	7,900,000	-	(7,900,000)	-		-
Plus deferred amounts							
Unamortized bond premium		6,881,303	-	(459,942)	6,421,361		-
		97,541,303	-	(11,559,942)	85,981,361	*	3,320,000
Other liabilities:							
Compensated absences		-	3,902,689	-	3,902,689		3,512,420
Net pension liability		23,023,390	157,699	-	23,181,089		-
Net OPEB liability		10,690,905	4,405,274	-	15,096,179		-
Total governmental activities		$ 131,255,598	$ 8,465,662	$ (11,559,942)	$ 128,161,318		$ 6,832,420
		Long-term liabilities due in more than one year			$ 121,328,898		
		*Debt associated with capital assets			$ 85,981,361		

(Continued)

NOTE 3 - DETAILED NOTES ON ALL FUNDS (Continued)

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

The Qualified School Construction Bonds, Series 2009 Maintenance Tax Notes (the "Notes") require the District to make mandatory deposits into a cumulative sinking fund deposit account held by the paying agent/registrar for the Notes on February 15 and August 15 in each of the years starting 2009 and ending 2025. Any interest earned from the investment of prior deposits shall be applied as a credit against a subsequent year's mandatory sinking fund amount. Such deposits and any interest earned shall be used to pay the principal of the Notes upon maturity and are pledged to pay the debt service requirements on the Notes. During the fiscal year, the District's contribution to the cumulative sinking fund deposit account was $389,861 and the interest earned was $150,001. At June 30, 2025, the District's total cumulative sinking fund deposit balance was $0 since the Notes were paid off in full in 2025.

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

Year Ended	General Obligation	
June 30	Principal	Interest
2026	$ 3,320,000	$ 3,440,225
2027	2,825,000	3,329,425
2028	2,970,000	3,188,175
2029	2,215,000	3,039,675
2030	2,325,000	2,928,925
2031 - 2035	13,205,000	13,048,975
2036 - 2040	16,120,000	10,184,175
2041 - 2045	19,580,000	6,801,275
2046 - 2049	17,000,000	2,016,250
Total	$ 79,560,000	$ 47,977,100

Interfund Transactions: The following is a summary of the District's interfund transactions for the year:

Receivable	Payables	Amounts
General fund	Nonmajor governmental funds	$ 2,493,969
General fund	Internal service fund	12,563
General fund	Capital projects fund	4,837,049
Capital projects fund	General fund	7,769,407
Nonmajor governmental funds	General fund	8
		$ 15,112,996

Amounts recorded as due to/from are considered to be temporary loans and will be repaid during the following year.

(Continued)

NOTE 4 - OTHER INFORMATION

Risk Management: The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District purchases commercial insurance. The District has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

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

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

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

Defined Benefit Pension Plan:

Teacher Retirement System

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

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

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

(Continued)

NOTE 4 - OTHER INFORMATION (Continued)

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

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

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

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

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

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

Contribution Rates

Fiscal Year	State	Public Education Employer	Active Employee
2024	8.25%	1.90%	8.25%
2025	8.25%	2.00%	8.25%

(Continued)

NOTE 4 - OTHER INFORMATION (Continued)

	Contribution Rates 2024	Contribution Rates 2025
Member	8.25%	8.25%
NECE (State)	8.25%	8.25%
Employers	8.25%	8.25%

	Measurement Year 2024	Fiscal Year Year 2025
Employer contributions	$ 2,138,584	$ 1,756,271
Member contributions	$ 3,923,931	$ 3,904,796
NECE on-behalf contributions	$ 2,538,996	$ 2,887,639

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

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

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

- During a new member's first 90 days of employment.

- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from noneducational and general, or local funds.

- When the employing district is a public junior college or junior college district, the employer shall contribute to TRS 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 to which an employer is subject;

- All public schools, charter schools, and regional educational service centers must contribute 1.9% of the member's salary beginning in fiscal year 2024, gradually increasing to 2.0% in fiscal year 2025.

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

(Continued)

NOTE 4 - OTHER INFORMATION (Continued)

Actuarial Assumptions: 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 and assumptions included:

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

**The source for the rate is the Bond Buyers 20 Index which represents the estimated yield of a portfolio of 20 general obligation bonds maturing in 20 years based on a survey of municipal bond traders.*

The actuarial methods and assumptions used in the determination of the TPL are the same assumptions used in the actuarial valuation as of ending 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 percent was used to measure the TPL. The single discount rate was based on the expected rate of return on plan investments of 7.00 percent. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the NECE 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 percent of payroll in fiscal year 2025 and thereafter. This includes all employer and state contributions for active and rehired retirees.

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

The long-term expected rate of return on pension plan investments is 7.00%. The long-term expected rate of return on TRS 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.

(Continued)

NOTE 4 - OTHER INFORMATION (Continued)

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

Asset Class	Target Allocation (1)	Geometric Real Rate of Return (2)	Long-Term Portfolio Returns
Global Equity			
U.S.	18.00%	4.40%	1.00%
Non-U.S. Developed	13.00%	4.20%	0.80%
Emerging Markets	9.00%	5.20%	0.70%
Private Equity	14.00%	6.70%	1.20%
Stable Value			
Government Bonds	16.00%	1.90%	0.40%
Stable Value Hedge Funds	5.00%	3.00%	0.20%
Absolute Return*	0.00%	4.00%	0.00%
Real Return			
Real Estate	15.00%	6.60%	1.20%
Energy, Natural Resources, and Infrastructure	6.00%	5.60%	0.40%
Commodities	0.00%	2.50%	0.00%
Risk Parity			
Risk Parity	8.00%	4.00%	0.40%
Leverage			
Cash	2.00%	1.00%	0.00%
Asset Allocation Leverage	-6.00%	1.30%	-0.10%
Inflation Expectation			2.40%
Volatility Drag (3)			-0.70%
Total	100.00%	50.40%	7.90%

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

NOTE 4 - OTHER INFORMATION (Continued)

Discount Rate Sensitivity Analysis: The following table presents the net pension liability (NPL) of TRS using the discount rate of 7%, and what the NPL would be if it was calculated using a discount rate that is 1% point lower (6%) or 1% point higher (8%) than the current rate:

	1% Decrease in Discount Rate (6%)	Current Discount Rate (7%)	1% Increase in Discount Rate (8%)
District's proportionate share of the net pension liability	$ 37,026,073	$ 23,181,089	$ 11,709,536

Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions: At the fiscal year ended June 30, 2025, the District reported a liability of $23,181,089 for its proportionate share of the TRS NPL. This liability reflects a reduction for state pension support provided to the District. The amounts recognized by the District as its proportionate share of the NPL, the related state support, and the total portion of the NPL that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	$ 23,181,089
State's proportionate share that is associated with the District	27,521,342
Total	$ 50,702,431

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

At June 30, 2025, the District's proportion of the collective NPL was 0.03795%, which was an increase of 0.00443% from its proportion measured as of June 30, 2024.

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

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

The amount of pension expense recognized by the District as of June 30, 2025 was $3,389,451.

For the year ended June 30, 2025, the District recognized pension expense of $3,289,260 and revenue of $3,289,260 for support provided by the State.

NOTE 4 - OTHER INFORMATION (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	$ 1,277,710	$ (180,987)
Changes in actuarial assumptions	1,196,889	(160,462)
Difference between projected and actual investment earnings	140,910	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	3,381,557	(2,495,011)
Contributions paid to TRS subsequent to the measurement date	1,419,764	-
	$ 7,416,830	$ (2,836,460)

The amount of $1,419,764 for contributions made after the measurement date of the NPL but before the end of the District's reporting period will be recognized as a reduction of the NPL in the subsequent fiscal year.

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

Fiscal Year Ended June 30	Pension Expense
2026	$ 153,114
2027	2,689,317
2028	491,677
2029	(515,807)
2030	342,305
Total	$ 3,160,606

Defined Other Postemployment Benefits Plan:

Texas Public School Retired Employees Group Insurance Program

Plan Description: The District participates in TRS-Care. It is a multiple-employer, cost-sharing defined OPEB plan with a special funding situation. TRS-Care was established in 1986 by the Texas Legislature.

(Continued)

NOTE 4 - OTHER INFORMATION (Continued)

The TRS Board of Trustees (the “Board”) administers the TRS-Care program and the related fund in accordance with Texas Insurance Code Chapter 1575. The Board 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: Detailed information about TRS-Care’s fiduciary net position is available in a separately issued TRS Annual Comprehensive Financial Report that includes financial statements and Required Supplementary Information. That report may be obtained on the Internet at https://www.trs.texas.gov/Pages/about_publications.aspx; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512)542-6592.

Components of the net OPEB liability of TRS-Care as of August 31, 2024 are as follows:

Total OPEB liability	$ 35,168,178,563
Less: plan fiduciary net position	(4,816,646,311)
Net OPEB Liability	$ 30,351,532,252
Net position as a percentage of total OPEB liability	13.70%

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

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

The General Appropriations Act passed by the 88th Legislature included funding to maintain TRS-Care premiums at their current level through 2025. Also, the 86th Legislature passed Senate Bill 1682 which requires TRS to establish a contingency reserve in the TRS-Care fund equal to 60 days of expenditures.

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

TRS-Care Monthly Premium Rates

	Medicare	Non-Medicare
Retiree or surviving spouse	$ 135	$ 200
Retiree and spouse	$ 529	$ 689
Retiree or surviving spouse and children	$ 468	$ 408
Retiree and family	$ 1,020	$ 999

(Continued)

NOTE 4 - OTHER INFORMATION (Continued)

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

Texas Insurance Code, section 1575.202 establishes the State's contribution rate, which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate, which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the District. The actual employer contribution rate is prescribed by the Legislature in the GAA. The following table shows contributions to TRS-Care by type of contributor:

	Contribution Rates	
	2024	2025
Active employee	0.65%	0.65%
NECE (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private funding remitted by employers	1.25%	1.25%

	Measurement Year 2024	Fiscal Year Year 2025
Employer contributions	$ 451,792	$ 374,168
Member contributions	$ 144,341	$ 153,825
NECE on-behalf contributions	$ 566,089	$ 591,636

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

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

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

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

(Continued)

NOTE 4 - OTHER INFORMATION (Continued)

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

Additional actuarial methods and assumptions are as follows:

Valuation date	August 31, 2023 rolled forward to August 31, 2024
Actuarial cost method	Individual entry age normal
Inflation	2.30%
Single discount rate	3.87% as of August 31, 2024
Aging factors	Based on the Society of Actuaries' 2013 Study “Health Care Costs - From Birth to Death".
Expenses	Third-party administrative expenses related to the delivery of healthcare benefits are included in the age-adjusted claims costs.
Projected salary increases	2.95% to 8.95%, including inflation
Healthcare trend rates	Medical trend rates: 7.75% (Medicare retirees) and 6.75% (non-Medicare retirees) Prescription drug trend rate: 7.75%. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 11 years.
Election rates	Normal retirement: 62% participation prior to age 65 and 25% participation after age 65. 30% of pre-65 retirees are assumed to discontinue coverage at age 65.
Ad hoc postemployment benefit changes	None

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

Sensitivity of the Net OPEB Liability: Discount Rate Sensitivity Analysis – The following schedule shows the impact of the net OPEB liability if the discount rate used was 1 percentage point lower than and 1 percentage point higher than the discount rate that was used (3.87%) in measuring the net OPEB liability:

	1% Decrease in Discount Rate (2.87%)	Current Discount Rate (3.87%)	1% Increase in Discount Rate (4.87%)
District's proportionate share of the net OPEB liability	$ 17,934,966	$ 15,096,179	$ 12,802,396

(Continued)

NOTE 4 - OTHER INFORMATION (Continued)

Healthcare Cost Trend Rates Sensitivity Analysis – The following presents the net OPEB liability of TRS-Care 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 1% less than or 1% higher than the assumed healthcare cost trend rate:

	1% Decrease in Healthcare Cost Trend	Current Healthcare Cost Trend	1% Increase in Healthcare Cost Trend
District's proportionate share of the net OPEB liability	$ 12,293,596	$ 15,096,179	$ 18,748,223

OPEB Liability, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB: At June 30, 2025, the District reported a liability of $15,096,179 for its proportionate share of TRS-Care's net OPEB liability. This liability reflects a reduction for state OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related state support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	$ 15,096,179
State's proportionate share that is associated with the District	18,915,307
Total	$ 34,011,486

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

At June 30, 2025, the District's proportion of the collective net OPEB liability was 0.04974%, compared to 0.04829% as of June 30, 2024.

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

- The discount rate changed from 4.13% as of August 31, 2023 to 3.87% as of August 31, 2024, accompanied by revised demographic and economic assumptions based on the TRS experience study.

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

The amount of OPEB expense recognized by the District in the reporting period was a credit of $1,811,164.

(Continued)

NOTE 4 - OTHER INFORMATION (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience	$ 2,893,431	$ (7,533,812)
Changes in actuarial assumptions	1,932,133	(4,925,708)
Difference between projected and actual investment earnings	-	(42,274)
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	2,404,500	(3,625,584)
Contributions paid to TRS subsequent to the measurement date	301,631	-
	$ 7,531,695	$ (16,127,378)

The amount of $301,631 for contributions made after the measurement date of the net OPEB liability but before the end of the District's reporting period will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year.

The net amounts of the District's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ended June 30	OPEB Expense
2026	$ (2,204,105)
2027	(1,520,380)
2028	(1,950,844)
2029	(1,700,245)
2030	(1,128,698)
Thereafter	(393,042)
Total	$ (8,897,314)

Medicare Part D Subsidies: The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for TRS-Care to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended June 30, 2025, 2024, and 2023, the subsidy payments received by TRS-Care on behalf of the District were $304,020, $254,690, and $227,484, respectively.

(Continued)

NOTE 4 - OTHER INFORMATION (Continued)

Workers' Compensation Pool: During the year ended June 30, 2025, the District met its statutory workers' compensation obligations through participation in Workers' Compensation Solutions (WCS). WCS was created and is operated under the provisions of the Interlocal Cooperative Act, Chapter 791 of the Texas Government Code. WCS's workers' compensation program is authorized by Chapter 504, Texas Labor Code. All members participating in WCS execute interlocal agreements that define the responsibilities of the parties.

As a member of WCS, the District is solely responsible for all claim costs, both reported and unreported. WCS provides administrative services to its members including claims administration and customer service. The District is protected against higher than expected claims costs through the purchase of stop-loss coverage. Reserves maintained on the WCS financial statements represent the unpaid claim liability and include a provision for the subsequent development of known claims and for claims incurred but not reported.

WCS and its members are protected against higher than expected claims costs through the purchase of stop-loss coverage for any claim in excess of WCS's insured retention of $750,000. WCS uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves.

Currently, the independent audit and actuary reports for the period of September 1, 2024 to August 31, 2025 are underway and will not be completed until January 2026. WCS engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by WCS's Board of Trustees in February of the following year.

Unemployment Compensation: During the year ended June 30, 2025, the District provided unemployment compensation coverage to its employees through participation in WCS.

As a member of WCS, the District is solely responsible for all unemployment compensation claim costs, both reported and unreported. WCS provides administrative services to its members, including claims administration and customer service.

WCS engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by WCS's Board of Trustees in February of the following year. Currently, the independent audit and actuary report for the period of September 1, 2024 to August 31, 2025 are underway and will not be completed until January 2026.

Employee Health Care Coverage: During the year ended June 30, 2025, employees of the District were covered by a health insurance plan (the "Plan"). The District paid premiums of $320 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement. The contract between the District and the insurer is renewable September 1, 2025 and terms of coverage and premiums costs are included in the contractual provisions.

(Continued)

NOTE 4 - OTHER INFORMATION (Continued)

Shared Services Arrangements: The District is the fiscal agent for a shared services arrangement (SSA) which provides services to the member districts listed below. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. 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, and will be accounted for using Model 3 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

Regional Day School for the Deaf - Fund 435

Member Districts	Amount
Alto ISD	$ 15,000
Central Heights ISD	5,000
Chireno ISD	6,000
Cushing ISD	21,250
Garrison ISD	6,000
Woden ISD	23,000
Center ISD	11,250
Henderson ISD	45,500
Rusk ISD	16,750
Tenaha ISD	750
Timpson ISD	10,250
Joaquin ISD	16,000
Total	$ 176,750

The District is the fiscal agent for an SSA which provides services to the member districts listed below. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. 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 458, Shared Services Arrangements - Disciplinary Alternative Education Program (DAEP) Instruction at-risk and will be accounted for using Model 3 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

Disciplinary Alternative Education Program (DAEP) - Fund 458

Member Districts	Amount
Nacogdoches ISD	$ 738,094
Central Heights ISD	59,920
Woden ISD	43,307
Garrison ISD	34,480
Martinsville ISD	23,319
Mount Enterprise	14,608
Cushing ISD	12,022
Doughlas ISD	22,163
Chireno ISD	10,261
Total	$ 958,174

(Continued)

NOTE 4 - OTHER INFORMATION (Continued)

Subsequent Event: On August 6, 2025, the District placed $4,516,791 of its own resources into an irrevocable escrow account to provide for the future payment of principal and interest on the Unlimited Tax School Building Bonds, Series 2019. These funds were used to defease $4,200,000 of outstanding bonds, and the escrowed amounts will be used to pay the remaining debt service through the bonds' call/maturity dates.

Because this transaction occurred after the end of the fiscal year, it represents a non-recognized subsequent event, and no adjustments have been made to the accompanying financial statements for the year ended June 30, 2025. The disclosure of this event is made to ensure that users of the financial statements are aware of the debt defeasance that occurred after year-end.

REQUIRED SUPPLEMENTARY INFORMATION

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND - EXHIBIT G-1
For the year ended June 30, 2025

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual	Variance with Final Budget Positive (Negative)
	Revenues				
5700	Local and intermediate sources	$ 19,995,579	$ 20,036,774	$ 21,675,874	$ 1,639,100
5800	State program revenues	41,400,081	41,400,081	42,302,697	902,616
5900	Federal program revenues	1,108,000	1,108,000	267,593	(840,407)
5020	Total Revenues	62,503,660	62,544,855	64,246,164	1,701,309
	Expenditures				
	Current				
0011	Instruction	32,536,711	32,513,608	32,484,845	28,763
0012	Instructional resources and				
0012	media services	774,222	776,746	744,798	31,948
0013	Curriculum/instructional staff				
0013	development	626,440	608,061	530,418	77,643
0021	Instructional leadership	2,315,495	2,560,797	2,581,627	(20,830)
0023	School leadership	3,721,834	3,740,068	3,755,269	(15,201)
0031	Guidance, counseling, and				
0031	evaluation service	2,069,586	2,086,716	1,962,514	124,202
0032	Social work services	507,665	508,354	487,261	21,093
0033	Health services	771,758	775,541	710,618	64,923
0034	Student (pupil) transportation	2,791,081	3,054,497	2,992,420	62,077
0035	Food services	92,308	92,308	11,238	81,070
0036	Extracurricular activities	1,787,955	1,920,228	1,826,292	93,936
0041	General administration	2,589,693	2,832,308	2,865,201	(32,893)
0051	Plant maintenance and				
0051	operations	7,747,181	8,234,423	8,048,664	185,759
0052	Security and monitoring services	1,092,139	1,266,815	1,227,066	39,749
0053	Data processing services	1,432,669	1,665,169	1,593,151	72,018
0061	Community services	202,373	243,573	229,081	14,492
	Debt service				
0071	Principal	-	-	7,900,000	(7,900,000)
0072	Interest on long-term debt	462,150	112,150	67,150	45,000
	Capital outlay				
0081	Facilities acquisition and				
0081	construction	500,000	4,173,442	1,737,297	2,436,145
	Intergovernmental				
0099	Other governmental charges	482,400	482,400	450,479	31,921
6030	Total expenditures	62,503,660	67,647,204	72,205,389	(4,558,185)
1200	Net change in fund balance	-	(5,102,349)	(7,959,225)	(2,856,876)
0100	Beginning fund balance	44,243,492	44,243,492	44,243,492	-
3000	Ending fund balance	$ 44,243,492	$ 39,141,143	$ 36,284,267	$ (2,856,876)

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
2. *Expenditures exceeded appropriations at the legal level of control.

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS (TRS) - EXHIBIT G-2
For the year ended June 30, 2025

	Measurement Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability (asset)	0.0379494%	0.0335176%	0.0396450%	0.0324817%	0.0347120%	0.3803570%	0.3831730%	0.3564300%	0.3695550%	0.0398128%
District's proportionate share of the net pension liability (asset)	$ 23,181,089	$ 23,023,390	$ 23,536,236	$ 8,271,947	$ 18,591,057	$ 19,772,171	$ 21,090,757	$ 11,396,716	$ 13,964,924	$ 14,073,295
State's proportionate share of the net pension liability (asset) associated with the District	27,521,342	31,351,690	27,875,311	14,583,695	29,388,763	26,360,698	28,455,250	17,115,247	20,889,598	9,550,366
Total	$ 50,702,431	$ 54,375,080	$ 51,411,547	$ 22,855,642	$ 47,979,820	$ 46,132,869	$ 49,546,007	$ 28,511,963	$ 34,854,522	$ 23,623,661
District's covered payroll*	$ 47,562,804	$ 42,309,922	$ 44,061,852	$ 41,908,838	$ 40,787,552	$ 37,400,115	$ 36,152,184	$ 35,391,290	$ 35,516,152	$ 35,021,262
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	48.74%	54.42%	53.41%	19.74%	45.58%	52.87%	58.34%	32.20%	39.32%	40.19%
Plan fiduciary net position as a percentage of the total pension liability	77.51%	73.15%	75.62%	88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%

* As of measurement date

Notes to Required Supplementary Information:

1. *Changes in Assumptions:* There were no changes in assumptions that affected measurement of the total pension liability during the measurement period.
3. *Changes in Benefits:* There were no changes of benefit terms that affected measurement of the TPL during the measurement period.

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS (TRS) - EXHIBIT G-3
For the year ended June 30, 2025

	Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	$ 1,756,271	$ 2,005,151	$ 1,615,919	$ 1,728,870	$ 1,405,257	$ 1,388,947	$ 1,142,219	$ 1,296,788	$ 1,147,673	$ 1,178,875
Contributions in relation to the contractually required contribution	1,756,271	2,005,151	1,615,919	1,728,870	1,405,257	1,388,947	1,142,219	1,296,788	1,147,673	1,178,875
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 47,330,856	$ 47,148,054	$ 41,806,523	$ 44,019,747	$ 41,585,066	$ 40,282,098	$ 37,400,115	$ 36,152,184	$ 35,564,900	$ 35,345,503
Contributions as a percentage of covered payroll	3.71%	4.25%	3.87%	3.93%	3.38%	3.45%	3.05%	3.59%	3.23%	3.34%

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEXAS PUBLIC SCHOOL RETIRED EMPLOYEES GROUP INSURANCE PROGRAM (TRS-CARE) EXHIBIT G-4
For the year ended June 30, 2025

	Measurement Year*							
	2024	2023	2022	2021	2020	2019	2018	2017
District's proportion of the collective net OPEB liability	0.04974%	0.04829%	0.0537108%	0.0511826%	0.0548482%	0.0543804%	0.0536792%	0.0503509%
District's proportionate share of the collective net OPEB	$ 15,096,179	$ 10,690,905	$ 12,860,525	$ 19,743,399	$ 20,850,296	$ 25,717,139	$ 26,802,534	$ 21,895,727
State's proportionate share of the collective net OPEB liability associated with the District	18,915,307	12,900,220	15,687,820	26,451,754	28,017,799	34,172,322	29,997,578	26,642,416
Total	$ 34,011,486	$ 23,591,125	$ 28,548,345	$ 46,195,153	$ 48,868,095	$ 59,889,461	$ 56,800,112	$ 48,538,143
District's covered payroll**	$ 47,562,804	$ 42,309,922	$ 44,061,852	$ 41,908,838	$ 40,787,552	$ 37,400,115	$ 36,152,184	$ 35,391,290
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	31.74%	25.27%	29.19%	47.11%	51.12%	68.76%	74.14%	61.87%
Plan fiduciary net position as a percentage of the total OPEB liability	13.70%	14.94%	11.52%	6.18%	4.99%	2.66%	1.57%	0.91%

*Only eight years' worth of information is currently available.
**as of measurement date

Notes to Required Supplementary Information:

1. *Changes in Assumptions*: The discount rate was changed from 4.13% as of August 31, 2023 to 3.87% as of August 31, 2024. This change increased the total OPEB liability.
2. *Changes in Benefits*: There were no changes of benefit terms since the prior measurement date.

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF CONTRIBUTIONS
TEXAS PUBLIC SCHOOL RETIRED EMPLOYEES GROUP INSURANCE PROGRAM (TRS-CARE) EXHIBIT G-5
For the year ended June 30, 2025

	Fiscal Year*							
	2025	2024	2023	2022	2021	2020	2019	2018
Statutorily required contributions	$ 374,168	$ 438,425	$ 378,931	$ 432,540	$ 404,941	$ 412,080	$ 382,871	$ 346,219
Contributions in relation to the statutorily required contributions	374,168	438,425	378,931	432,540	404,941	412,080	382,871	346,219
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 47,330,856	$ 47,148,054	$ 41,806,523	$ 44,019,747	$ 42,585,066	$ 40,282,098	$ 37,400,115	$ 36,152,184
Contributions as a percentage of covered payroll	0.79%	0.93%	0.91%	0.98%	0.95%	1.02%	1.02%	0.96%

*Only eight years' worth of information is currently available.

OTHER SUPPLEMENTARY INFORMATION

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-1
June 30, 2025

Data Control Codes		211 ESEA Title I, Part A	224 IDEA-B Formula	225 IDEA-B Preschool	240 National School Breakfast/ Lunch Program	242 Summer Food Service Program	244 Career and Technical Basic Grant	255 ESEA Title II, Part A
	ASSETS							
1110	Cash and cash equivalents	$ 56,703	$ -	$ 4,438	$ 1,484,191	$ 212,383	$ -	$ 12,065
1120	Investments - current	-	-	-	1,051,891	-	-	-
1240	Due from other governments	716,161	451,092	5,842	-	-	35,755	98,155
1260	Due from other funds	-	-	-	-	-	-	-
1290	Other receivables	-	-	-	-	-	-	-
1300	Inventories, at cost	-	-	-	31,787	-	-	-
1000	Total Assets	$ 772,864	$ 451,092	$ 10,280	$ 2,567,869	$ 212,383	$ 35,755	$ 110,220
	LIABILITIES							
2110	Accounts payable	$ 6,670	$ 346	$ -	$ 92,622	$ 2,509	$ 4,349	$ -
2160	Accrued wages payable	-	-	-	-	-	-	-
2170	Due to other funds	766,194	450,746	10,280	-	-	31,406	110,220
2300	Unearned revenue	-	-	-	-	-	-	-
2440	Other liabilities	-	-	-	-	-	-	-
2000	Total Liabilities	772,864	451,092	10,280	92,622	2,509	35,755	110,220
	FUND BALANCES							
	Nonspendable							
3410	Inventories	-	-	-	31,787	-	-	-
	Restricted							
3450	Federal/state grant restrictions	-	-	-	2,443,460	209,874	-	-
3490	Other restrictions of fund balance	-	-	-	-	-	-	-
3000	Total Fund Balances	-	-	-	2,475,247	209,874	-	-
4000	Total liabilities and fund balances	$ 772,864	$ 451,092	$ 10,280	$ 2,567,869	$ 212,383	$ 35,755	$ 110,220

(Continued)

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-1
June 30, 2025

Data Control Codes		263 Title III, Part A English Language	270 Title V, Part B Subpart 2 Rural School	282 ESSER III	284 IDEA B ARP	289 Federal Funded Special Revenue	315 IDEA-B Discretionary	340 IDEA-B Early Intervention (DEAF)
	ASSETS							
1110	Cash and cash equivalents	$ 16,967	$ -	$ -	$ 3,717	$ -	$ -	$ -
1120	Investments - current	-	-	-	-	-	-	-
1240	Due from other governments	37,048	46,065	-	1	223,811	26,405	6
1260	Due from other funds	-	-	8	-	-	-	-
1290	Other receivables	-	-	-	-	-	-	-
1300	Inventories, at cost	-	-	-	-	-	-	-
1000	Total Assets	$ 54,015	$ 46,065	$ 8	$ 3,718	$ 223,811	$ 26,405	$ 6
	LIABILITIES							
2110	Accounts payable	$ 376	$ 1,610	$ -	$ -	$ 1,128	$ -	$ -
2160	Accrued wages payable	-	-	-	-	-	-	-
2170	Due to other funds	53,639	44,455	8	-	222,683	26,405	6
2300	Unearned revenue	-	-	-	3,718	-	-	-
2440	Other liabilities	-	-	-	-	-	-	-
2000	Total Liabilities	54,015	46,065	8	3,718	223,811	26,405	6
	FUND BALANCES							
	Nonspendable							
3410	Inventories	-	-	-	-	-	-	-
	Restricted							
3450	Federal/state grant restrictions	-	-	-	-	-	-	-
3490	Other restrictions of fund balance	-	-	-	-	-	-	-
3000	Total Fund Balances	-	-	-	-	-	-	-
4000	Total liabilities and fund balances	$ 54,015	$ 46,065	$ 8	$ 3,718	$ 223,811	$ 26,405	$ 6

(Continued)

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-1
June 30, 2025

Data Control Codes		385 State Suppl. Visually Impaired	397 Advanced Placement Incentives	410 State Textbook	429 State Funded Special Revenue	435 Day School for the Deaf	458 DAEP Co-operative	461 Campus Activity
	ASSETS							
1110	Cash and cash equivalents	$ 12	$ 14,615	$ 1,492,232	$ -	$ -	$ 62,830	$ 192,453
1120	Investments - current	-	-	-	-	-	-	-
1240	Due from other governments	-	-	108,140	1,150,796	96,167	-	-
1260	Due from other funds	-	-	-	-	-	-	-
1290	Other receivables	-	-	-	-	-	219,701	1,461
1300	Inventories, at cost	-	-	-	-	-	-	-
1000	Total Assets	$ 12	$ 14,615	$ 1,600,372	$ 1,150,796	$ 96,167	$ 282,531	$ 193,914
	LIABILITIES							
2110	Accounts payable	$ -	$ 14,411	$ 54,022	$ 316,396	$ 688	$ 25,108	$ 9,516
2160	Accrued wages payable	-	-	-	-	-	116,240	-
2170	Due to other funds	-	-	-	764,046	13,881	-	-
2300	Unearned revenue	-	-	-	-	-	-	-
2440	Other liabilities	-	-	-	-	-	-	-
2000	Total Liabilities	-	14,411	54,022	1,080,442	14,569	141,348	9,516
	FUND BALANCES							
	Nonspendable							
3410	Inventories	-	-	-	-	-	-	-
	Restricted							
3450	Federal/state grant restrictions	-	-	-	-	-	-	-
3490	Other restrictions of fund balance	12	204	1,546,350	70,354	81,598	141,183	184,398
3000	Total Fund Balances	12	204	1,546,350	70,354	81,598	141,183	184,398
4000	Total liabilities and fund balances	$ 12	$ 14,615	$ 1,600,372	$ 1,150,796	$ 96,167	$ 282,531	$ 193,914

(Continued)

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-1
June 30, 2025

Data Control Codes		497 Ann Wallace Award	498 Dragon Community Partners	Total Nonmajor Governmental Funds
	ASSETS			
1110	Cash and cash equivalents	$ 1,855	$ 11,035	$ 3,565,496
1120	Investments - current	-	-	1,051,891
1240	Due from other governments	-	-	2,995,444
1260	Due from other funds	-	-	8
1290	Other receivables	-	-	221,162
1300	Inventories, at cost	-	-	31,787
1000	Total Assets	$ 1,855	$ 11,035	$ 7,865,788
	LIABILITIES			
2110	Accounts payable	$ 500	$ -	$ 530,251
2160	Accrued wages payable	-	-	116,240
2170	Due to other funds	-	-	2,493,969
2300	Unearned revenue	-	-	3,718
2440	Other liabilities	1,000	-	1,000
2000	Total Liabilities	1,500	-	3,145,178
	FUND BALANCES			
	Nonspendable			
3410	Inventories	-	-	31,787
	Restricted			
3450	Federal/state grant restrictions	-	-	2,653,334
3490	Other restrictions of fund balance	355	11,035	2,035,489
3000	Total Fund Balances	355	11,035	4,720,610
4000	Total liabilities and fund balances	$ 1,855	$ 11,035	$ 7,865,788

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-2
For the year ended June 30, 2025

Data Control Codes		211 ESEA Title I, Part A	224 IDEA-B Formula	225 IDEA-B Preschool	240 National School Breakfast/ Lunch Program	242 Summer Food Service Program	244 Career and Technical Basic Grant	255 ESEA Title II, Part A
	Revenues							
5700	Local, intermediate, and out-of-state	$ -	$ -	$ -	$ 219,716	$ -	$ -	$ -
5800	State program revenues	-	-	-	19,372	-	-	-
5900	Federal program revenues	3,168,688	1,540,017	21,838	4,835,326	91,586	99,226	366,078
5020	Total Revenues	3,168,688	1,540,017	21,838	5,074,414	91,586	99,226	366,078
	Expenditures							
	Current							
0011	Instruction	1,941,964	883,882	21,838	-	-	99,226	-
0012	Instructional resources and media services	21,194	-	-	-	-	-	-
0013	Curriculum and instructional staff development	417,246	2,742	-	-	-	-	210,466
0021	Instructional leadership	113,666	154,517	-	-	-	-	35,152
0023	School leadership	448,193	-	-	-	-	-	120,460
0031	Guidance, counseling, and evaluation services	8,608	498,876	-	-	-	-	-
0032	Social work services	43,707	-	-	-	-	-	-
0033	Health services	-	-	-	-	-	-	-
0035	Food services	-	-	-	4,736,633	48,729	-	-
0036	Extracurricular activities	-	-	-	-	-	-	-
0041	General administration	-	-	-	-	-	-	-
0051	Plant maintenance and operations	-	-	-	139,422	-	-	-
0052	Security and monitoring services	-	-	-	-	-	-	-
0061	Community services	174,110	-	-	-	-	-	-
	Capital outlay							
0081	Facilities acquisition and construction	-	-	-	-	-	-	-
6030	Total expenditures	3,168,688	1,540,017	21,838	4,876,055	48,729	99,226	366,078
1200	Net change in fund balances	-	-	-	198,359	42,857	-	-
0100	Beginning fund balances	-	-	-	2,276,888	167,017	-	-
3000	Ending fund balances	$ -	$ -	$ -	$ 2,475,247	$ 209,874	$ -	$ -

(Continued)

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-2
For the year ended June 30, 2025

Data Control Codes		263 Title III, Part A English Language	270 Title V, Part B Subpart 2 Rural School	282 ESSER III	284 IDEA B ARP	289 Federal Funded Special Revenue	315 IDEA-B Discretionary	340 IDEA-B Early Intervention (DEAF)
	Revenues							
5700	Local, intermediate, and out-of-state	$ -	$ -	$ -	$ -	$ -	$ -	$ -
5800	State program revenues	-	-	-	-	-	-	-
5900	Federal program revenues	163,871	200,834	2,074,475	-	343,011	71,131	784
5020	Total Revenues	163,871	200,834	2,074,475	-	343,011	71,131	784
	Expenditures							
	Current							
0011	Instruction	48,295	103,181	1,409,191	-	232,581	69,604	784
0012	Instructional resources and media services	-	-	-	-	-	-	-
0013	Curriculum and instructional staff development	7,513	43,123	111,982	-	15,549	-	-
0021	Instructional leadership	74,200	-	47,880	-	-	-	-
0023	School leadership	-	20,599	38,907	-	-	-	-
0031	Guidance, counseling, and evaluation services	-	6,573	14,515	-	20,269	1,054	-
0032	Social work services	-	-	37,935	-	-	-	-
0033	Health services	-	-	22,691	-	-	473	-
0035	Food services	-	-	-	-	-	-	-
0036	Extracurricular activities	-	-	39,082	-	-	-	-
0041	General administration	-	-	-	-	-	-	-
0051	Plant maintenance and operations	-	-	69,456	-	-	-	-
0052	Security and monitoring services	-	-	-	-	74,612	-	-
0061	Community services	33,863	27,358	101,895	-	-	-	-
	Capital outlay							
0081	Facilities acquisition and construction	-	-	180,941	-	-	-	-
6030	Total expenditures	163,871	200,834	2,074,475	-	343,011	71,131	784
1200	Net change in fund balances	-	-	-	-	-	-	-
0100	Beginning fund balances	-	-	-	-	-	-	-
3000	Ending fund balances	$ -	$ -	$ -	$ -	$ -	$ -	$ -

(Continued)

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-2
For the year ended June 30, 2025

Data Control Codes		385 State Suppl. Visually Impaired	397 Advanced Placement Incentives	410 State Textbook	429 State Funded Special Revenue	435 Day School for the Deaf	458 DAEP Co-operative	461 Campus Activity
	Revenues							
5700	Local, intermediate, and out-of-state	$ -	$ -	$ -	$ -	$ 176,750	$ 958,174	$ 314,384
5800	State program revenues	-	-	424,682	3,056,912	400,990	-	-
5900	Federal program revenues	-	-	-	-	-	-	-
5020	Total Revenues	-	-	424,682	3,056,912	577,740	958,174	314,384
	Expenditures							
	Current							
0011	Instruction	-	-	434,113	3,600	498,751	687,454	-
0012	Instructional resources and media services	-	-	-	-	-	-	-
0013	Curriculum and instructional staff development	-	-	-	1,950	3,137	534	-
0021	Instructional leadership	-	-	1,235	-	111,486	-	-
0023	School leadership	-	-	-	-	-	91,207	-
0031	Guidance, counseling, and evaluation services	-	14,411	-	-	-	17,286	-
0032	Social w ork services	-	-	-	-	-	12,577	-
0033	Health services	-	-	-	-	-	-	-
0035	Food services	-	-	-	-	-	-	-
0036	Extracurricular activities	-	-	-	-	-	-	289,020
0041	General administration	-	-	-	-	-	7,933	-
0051	Plant maintenance and operations	-	-	-	-	-	-	-
0052	Security and monitoring services	-	-	-	1,279,551	-	-	-
0061	Community services	-	-	-	-	974	-	-
	Capital outlay							
0081	Facilities acquisition and construction	-	-	-	1,703,474	-	-	-
6030	Total expenditures	-	14,411	435,348	2,988,575	614,348	816,991	289,020
1200	Net change in fund balances	-	(14,411)	(10,666)	68,337	(36,608)	141,183	25,364
0100	Beginning fund balances	12	14,615	1,557,016	2,017	118,206	-	159,034
3000	Ending fund balances	$ 12	$ 204	$ 1,546,350	$ 70,354	$ 81,598	$ 141,183	$ 184,398

(Continued)

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - EXHIBIT H-2
For the year ended June 30, 2025

Data Control Codes		497 Ann Wallace Award	498 Dragon Community Partners	Total Nonmajor Governmental Funds
	Revenues			
5700	Local, intermediate, and out-of-state	$ -	$ -	$ 1,669,024
5800	State program revenues	-	-	3,901,956
5900	Federal program revenues	-	-	12,976,865
5020	Total Revenues	-	-	18,547,845
	Expenditures			
	Current			
0011	Instruction	-	-	6,434,464
0012	Instructional resources and media services	-	-	21,194
0013	Curriculum and instructional staff development	-	-	814,242
0021	Instructional leadership	-	-	538,136
0023	School leadership	-	-	719,366
0031	Guidance, counseling, and evaluation services	-	-	581,592
0032	Social work services	-	-	94,219
0033	Health services	-	-	23,164
0035	Food services	-	-	4,785,362
0036	Extracurricular activities	-	-	328,102
0041	General administration	-	-	7,933
0051	Plant maintenance and operations	-	-	208,878
0052	Security and monitoring services	-	-	1,354,163
0061	Community services	-	-	338,200
	Capital outlay			-
0081	Facilities acquisition and construction	-	-	1,884,415
6030	Total expenditures	-	-	18,133,430
1200	Net change in fund balances	-	-	414,415
0100	Beginning fund balances	355	11,035	4,306,195
3000	Ending fund balances	$ 355	$ 11,035	$ 4,720,610

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
EXHIBIT J-1
For the year ended June 30, 2025

	1	2	3	10	20	31	32	40	50	99
	Tax Rates		Net Assessed/ Appraised Value For School	Beginning Balance	Current Year's	Maintenance Total	Debt Service Total	Entire Year's	Ending Balance	Total Taxes Refunded Under Section
Last Ten Years	Maintenance	Debt Services	Tax Purposes	07/01/24	Total Levy	Collected	Collected	Adjustments	06/30/25	26.1115(c)
2016 and prior	Various	Various	Various	$ 339,997	$ -	$ 14,634	$ 2,345	$ (41,241)	$ 281,777	
2017	1.1700	0.1875	1,803,159,536	82,264	-	3,543	568	(11,596)	66,557	
2018	1.1700	0.1625	1,911,729,811	70,370	-	5,484	762	(8,906)	55,218	
2019	1.1700	0.1625	1,967,524,152	87,822	-	7,191	999	(10,985)	68,647	
2020	1.0684	0.1625	2,130,669,869	110,657	-	8,879	1,351	(17,185)	83,242	
2021	1.0547	0.2450	2,140,709,245	126,329	-	(4,931)	(1,145)	(43,690)	88,715	
2022	1.0213	0.2450	2,258,193,799	230,630	-	41,292	9,906	(56,775)	122,657	
2023	0.9507	0.2900	2,569,140,243	334,024	-	(35,659)	(10,877)	(176,222)	204,338	
2024	0.7597	0.3800	2,399,902,794	1,133,323	-	128,796	64,423	(230,430)	709,674	
2025	0.7552	0.3800	2,586,815,943	-	29,933,835	18,859,129	9,489,498	(568,300)	1,016,908	
1000 Totals				$ 2,515,416	$ 29,933,835	$ 19,028,358	$ 9,557,830	$ (1,165,330)	$ 2,697,733	
8000 Taxes refunded										$ 7,469
9000 Tax increment						$ -				

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM FUND - EXHIBIT J-2
For the year ended June 30, 2025

Data Control Codes		1 Budgeted Amounts Original	2 Budgeted Amounts Final	3 Actual	Variance with Final Budget Positive (Negative)
	Revenues				
5700	Local and intermediate sources	$ 211,500	$ 211,500	$ 219,716	$ 8,216
5800	State program revenues	19,000	19,000	19,372	372
5900	Federal program revenues	4,713,578	4,713,578	4,835,326	121,748
5020	Total Revenues	4,944,078	4,944,078	5,074,414	130,336
	Expenditures				
0035	Food services	5,181,066	5,289,935	4,736,633	553,302
0051	Facilities maintenance				
0051	and operations	181,179	181,179	139,422	41,757
6030	Total expenditures	5,362,245	5,471,114	4,876,055	595,059
1200	Net change in fund balance	(418,167)	(527,036)	198,359	725,395
0100	Beginning fund balance	2,276,888	2,276,888	2,276,888	-
3000	Ending fund balance	$ 1,858,721	$ 1,749,852	$ 2,475,247	$ 725,395

Notes to Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND - EXHIBIT J-3
For the year ended June 30, 2025

Data Control Codes		1 Budgeted Amounts Original	2 Budgeted Amounts Final	3 Actual	Variance with Final Budget Positive (Negative)
	Revenues				
5700	Local and intermediate sources	$ 8,936,607	$ 8,936,607	$ 9,989,327	$ 1,052,720
5800	State program revenues	500,000	500,000	1,160,629	660,629
5020	Total Revenues	9,436,607	9,436,607	11,149,956	1,713,349
	Expenditures				
	Debt service				
0071	Principal on long-term debt	3,200,000	3,200,000	3,200,000	-
0072	Interest on long-term debt	6,236,607	6,236,607	3,602,975	2,633,632
0073	Bond issuance costs and fees	-	-	8,233	(8,233)
6030	Total expenditures	9,436,607	9,436,607	6,811,208	2,625,399
1200	Net change in fund balance	-	-	4,338,748	4,338,748
0100	Beginning fund balance	6,493,806	6,493,806	6,493,806	-
3000	Ending fund balance	$ 6,493,806	$ 6,493,806	$ 10,832,554	$ 4,338,748

Notes to Supplementary Information:
Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Data Control Codes		Responses
	Section A: Compensatory Education Programs	
AP1	Did the District expend any state compensatory education program state allotment funds during the District's fiscal year?	Yes
AP2	Does the District have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the District's fiscal year.	$ 7,588,441
AP4	List the actual direct program expenditures for state compensatory education programs during the District's fiscal year. (PICs 24, 26, 28, 29, 30)	$ 7,242,448
	Section B: Bilingual Education Programs	
AP5	Did the District expend any bilingual education program state allotment funds during the District's fiscal year?	Yes
AP6	Does the District have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the District's fiscal year.	$ 1,042,561
AP8	List the actual direct program expenditures for bilingual education programs during the District's fiscal year. (PIC 25)	$ 1,161,075

FEDERAL AWARDS AND COMPLIANCE SECTION

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees of
Nacogdoches Independent School District:
Nacogdoches, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Nacogdoches Independent School District (the "District") as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 29, 2025.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2025-001, that we consider to be a significant deficiency.

(Continued)

Report on Compliance and Other Matters

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

District's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Crowe LLP

Crowe LLP

Houston, Texas
December 29, 2025

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

To the Board of Trustees of
Nacogdoches Independent School District:
Nacogdoches, Texas

Report on Compliance for Major Federal Program

Opinion on Major Federal Program

We have audited Nacogdoches Independent School District's (the "District") compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on the District's major federal program for the year ended June 30, 2025. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2025.

Basis for Opinion on Major Federal Program

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

We are required to be independent of the District and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

(Continued)

Auditor's Responsibilities for the Audit of Compliance

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

(Continued)

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

Crowe LLP

Crowe LLP

Houston, Texas
December 29, 2025

SUMMARY OF PRIOR YEAR AUDIT FINDINGS

No prior year findings.

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	Yes
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major federal programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of audit report issued on compliance for major federal program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulation (CFR) Part 200.516(a)?	No

Identification of major federal programs:

Assistance Listing (AL) Number(s)	Name of Federal Program or Cluster
84.010	Title I, Part A, Improving Basic Programs

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualify as low-risk auditee?	Yes

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding 2025-001 – Year-End Financial Reporting Controls

Audit Finding: Significant Deficiency

Criteria: Under generally accepted accounting principles, generally accepted government auditing standards, and the internal control requirements outlined in the Uniform Guidance (2 CFR 200.303), entities must establish and maintain effective internal controls to ensure accurate and complete financial reporting. This includes timely and accurate recognition of accruals, and routine reconciliation of interfund balances. Controls should be designed and operating effectively to prevent, detect, and correct material misstatements in the financial statements.

(Continued)

Condition: During testing of year end adjustments and revenue/expenditure recognition, the following misstatements were identified:

- Prior year receivables for state funding were not reversed in the current year, resulting in overstated current-year revenues and receivables.
- Prior year ESSER-related interfunds were not reversed, causing misstatements reported for the fund's cash balance and interfund payables.
- A construction invoice and related retainage payable were not accrued, offset by prior year accruals were not reversed, misstating expenditures and liabilities.

These errors were not identified by Management during the review procedures performed over year-end closing entries, receivable activity, or construction expenditures.

Cause: The deficiencies resulted from insufficient review of key financial reporting processes. Management's existing review controls over year-end receivable reversals, construction-related accruals, and interfund transactions were not sufficiently designed or executed to detect these types of errors.

Effect: Prior to adjustment, the financial statements contained multiple misstatements affecting receivables, revenues, expenditures, and liabilities.

Reported in Prior Year: No

Recommendation: Management should strengthen year-end financial reporting controls by implementing a formal reconciliation of prior year accruals and their reversals, standardized procedures for construction and retainage accruals, and additional training for personnel on year-end closing requirements.

Views of Responsible Officials: See Corrective Action Plan.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None identified.

(Continued)

NACOGDOCHES
INDEPENDENT SCHOOL DISTRICT

High Expectations for Everyone • Teaching and Learning for Everyone • Respect for Everyone

CORRECTIVE ACTION PLAN

2025-001 – Year End Financial Reporting Controls (Significant Deficiency)

Management will strengthen year-end financial reporting controls to ensure the timely and accurate recognition, reversal, and reconciliation of accruals and interfund activity in accordance with generally accepted accounting principles, generally accepted government auditing standards, and the internal control requirements of 2 CFR 200.303. The District will develop and implement a standardized year end and beginning-of-year reconciliation of all prior year accruals, including receivables, payables, construction-related accruals, retainage, and interfund balances. In addition, the District will require documented evidence of review to confirm that all prior year accruals are appropriately reversed or carried forward, as applicable.

Management will provide targeted training to accounting personnel responsible for year-end closing on accrual accounting requirements, interfund accounting, and construction-related accounting considerations. It will strengthen supervisory review over year end journal entries and reconciliations to ensure controls are operating as designed.

Anticipated Completion Date: March 2026

Roy B. Eberlan

Roy B. Eberlan, Chief Financial Officer

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NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - EXHIBIT K-1
For the year ended June 30, 2025

(1) Federal Grantor/Pass-Through Grantor/ Program Title or Cluster Title	(2) Federal AL Number	(2A) Pass-Through Entity Identifying Number	(3) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed Through State Department of Education:			
Title I, Part A, Improving Basic Programs	84.010A	24610101174904	$ 1,244,794
Title I, Part A, Improving Basic Programs	84.010A	25610101174904	2,073,565
Total AL Number 84.010			3,318,359
Carl D. Perkins Basic Formula Grant	84.048A	24420006174904	16,994
Carl D. Perkins Basic Formula Grant	84.048A	25420006174904	86,639
Total AL Number 84.048			103,633
Title II, Part A, Supporting Effective Instruction	84.367A	24694501174904	79,449
Title II, Part A, Supporting Effective Instruction	84.367A	25694501174904	303,919
Total AL Number 84.367			383,368
Title V, B, SP 2 RLIS	84.358B	24696001174904	112,298
Title V, B, SP 2 RLIS	84.358B	25696001174904	95,454
Total AL Number 84.358			207,752
Summer English School Program	84.369A	69552402	6,817
Title IV, Part A, Subpart I	84.424A	24680101174904	69,132
Title IV, Part A, Subpart I	84.424A	25680101174904	284,452
Total AL Number 84.424			353,584
COVID-19 ESSER III	84.425U	21528001174904	2,074,475
IDEA C, Early Childhood Intervention	84.181A	243911011749043911	784
Special Education Cluster (IDEA):			
IDEA B, Formula Grant	84.027A	246600011749046000	358,038
IDEA B, Formula Grant	84.027A	256600011749046000	1,181,979
SSA IDEA-B Discretionary DEAF	84.027A	246600111749046000	9,252
SSA IDEA-B Discretionary DEAF	84.027A	256600111749046000	61,879
Total AL Number 84.027A			1,611,148
IDEA B, Preschool	84.173A	246610011749046000	3,215
IDEA B, Preschool	84.173A	256610011749046000	18,623
Total AL Number 84.173A			21,838
Total Special Education Cluster (AL Number 84.027 and 84.173)			1,632,986
Passed Through Education Service Center, Region VII:			
Title III, Part A, - English Language Acquisition - SSA	84.365A	24671001174904	36,641
Title III, Part A, - English Language Acquisition - SSA	84.365A	25671001174904	134,946
Total AL Number 84.365			171,587
Total U.S. Department of Education			8,253,345

(Continued)

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - EXHIBIT K-1
For the year ended June 30, 2025

(1) Federal Grantor/Pass-Through Grantor/ Program Title or Cluster Title	(2) Federal AL Number	(2A) Pass-Through Entity Identifying Number	(3) Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Pass-Through State Health and Human Services Commission:			
Medicaid, Title XiV (Medicaid Cluster)	93.778	HHS000537900106	$ 21,493
Total U.S. Department of Health and Human Services			21,493
U.S. DEPARTMENT OF AGRICULTURE			
Child Nutrition Cluster:			
Passed Through State Department of Agriculture:			
Summer Food Service Program	10.559	236TX332N1099	91,586
Pass-Through State Department of Education:			
School Breakfast Program	10.553	806780706	1,195,427
National School Lunch Program	10.555	806780706	3,323,360
Total Child Nutrition Cluster (AL Number 10.553, 10.555, 10.559, and 10.582)			4,610,373
Food Distribution Cluster:			
USDA Commodities (Food Distribution Cluster)	10.565	806780706	316,539
Total U.S. Department of Agriculture			4,926,912
Total Expenditures of Federal Awards			$ 13,201,750
		Federal revenue per SEFA	$ 13,201,750
		SHARS	42,708
		C-2 Federal revenue	$ 13,244,458

See Notes to Schedule of Expenditures of Federal Awards.

NOTE 1 - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal grant activity of the District. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the SEFA may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the SEFA are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the SEFA, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 - INDIRECT COST RATE

The District has elected not to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance. The District has a negotiated rate with the Texas Department of Education for indirect costs.

NOTE 4 - SUBRECIPIENTS

The District did not provide any federal awards to subrecipients during the fiscal year ending June 30, 2025. Accordingly, there are no amounts included in the SEFA that represent payments to subrecipients.

NACOGDOCHES INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REQUIRED RESPONSES TO
SELECTED SCHOOL FIRST INDICATORS - EXHIBIT L-1
For the year ended June 30, 2025

Data Control Codes		Responses
SF1	Was there an unmodified opinion in the annual financial report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the annual financial report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF3	Did the District make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other governmental agencies? (If the District was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warrant hold was issued, the District is considered to not have made timely payments.)	Yes
	Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within30 days from the date the warrant hold was issued.	
	Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was issued.	
SF4	Was the District issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the District is considered to have been issued a warrant hold.	No
SF5	Did the annual financial report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds and/or substantial doubt about the school district's ability to continue as a going concern?	No
SF6	Was there any disclosure in the annual financial report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the District post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code, and other statutes, laws, and rules that were in effect at the District's fiscal year end?	Yes
SF8	Did the Board members discuss the District's property values at a board meeting within 120 days before the District adopted its budget?	Yes
SF9	Total accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year end.	$0