NEW ISSUE: BOOK-ENTRY-ONLY

Ratings: S&P: PSF Enhanced: "AAA"; Underlying: "AA-"
Moody's: PSF Enhanced: "Aaa"; Underlying: "A1"
PSF Guaranteed
(See "RATINGS" and
"THE PERMANENT SCHOOL
FUND GUARANTEE PROGRAM")

OFFICIAL STATEMENT
August 13, 2026

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses 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. See "TAX MATTERS" herein.

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Hays, Travis and Caldwell Counties, Texas)

$253,730,000
UNLIMITED TAX SCHOOL BUILDING BONDS,
SERIES 2026A

$21,495,000
UNLIMITED TAX REFUNDING BONDS,
SERIES 2026B

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

The Hays Consolidated Independent School District (the "District") is issuing its $253,730,000 Unlimited Tax School Building Bonds, Series 2026A (the "2026A Bonds") and its $21,495,000 Unlimited Tax Refunding Bonds, Series 2026B (the "2026B Bonds", and together with the 2026A Bonds, the "Bonds"). The 2026A Bonds are issued in accordance with the Constitution and general laws of the State of Texas, including particularly Chapter 45, Texas Education Code, as amended ("Chapter 45"), Chapter 1371, Texas Government Code, as amended, ("Chapter 1371"), an election held on May 3, 2025 (the "Election"), and a bond order passed by the Board of Trustees of the District (the "Board") on June 29, 2026 (the "Bond Order"), in which the Board delegated pricing of the 2026A Bonds and certain other matters to a pricing officer who is authorized to approve and execute a "Pricing Certificate" for each series of Bonds that sets forth the final terms of such series of Bonds (the Bond Order and the Pricing Certificates are jointly referred to herein as the "Order"). The 2026B Bonds are issued in accordance with the Constitution and general laws of the State of Texas, including particularly Chapter 1207, Texas Government Code, as amended ("Chapter 1207"), Chapter 1371, and the Order. The Pricing Certificates were executed on August 13, 2026. The Bonds constitute direct obligations of the District and are payable as to principal and interest from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, against all taxable property located within the District. (See "AD VALOREM PROPERTY TAXATION" and "TAX RATE LIMITATIONS" herein.)

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

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

The District has received conditional approval from the Texas Education Agency for the payment of principal of and interest on the Bonds to be guaranteed under the Permanent School Fund Guarantee Program which will automatically become effective when the Attorney General of Texas approves the Bonds. (See "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM.")

Proceeds from the sale of the 2026A Bonds will be used to provide funds for: (a) the construction, acquisition, and equipment of school buildings in the District (including the rehabilitation, renovation, expansion and improvement thereof), the purchase of the necessary sites for school buildings, the purchase of new school buses, the retrofitting of school buses with emergency, safety, or security equipment, and the purchase or retrofitting of vehicles to be used for emergency, safety, or security purposes; and (b) paying the costs of issuance of the 2026A Bonds. (See "THE BONDS – Authorization and Purpose" and "– Sources and Uses of Funds.")

Proceeds from the sale of the 2026B Bonds will be used to provide funds for: (a) the refunding of certain outstanding obligations of the District (the "Refunded Bonds") (see "SCHEDULE I – Schedule of Refunded Bonds") for debt service savings, and (b) paying the costs of issuance of the 2026B Bonds. (See "THE BONDS – Authorization and Purpose" and "– Sources and Uses of Funds.")

MATURITY SCHEDULES ON PAGES ii AND iii

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

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

FROST BANK **MESIROW FINANCIAL, INC.**

MATURITY SCHEDULE FOR THE 2026A BONDS

$253,730,000
HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2026A

Base CUSIP No: 421111[1]

$100,515,000 Serial Bonds

Maturity Date (8/15)	Principal Amount	Interest Rate	Initial Yield[2]	CUSIP Suffix No.[1]
2027	$1,055,000	5.00%	2.61%	AY1
2028	4,775,000	5.00	2.70	AZ8
2029	1,885,000	5.00	2.80	BA2
2030	1,940,000	5.00	2.89	BB0
2031	2,010,000	5.00	2.98	BC8
2032	3,225,000	5.00	3.06	BD6
****	********	***	***	****
2037	2,310,000	5.00	3.60[3]	BE4
2038	310,000	5.00	3.73[3]	BF1
2039	7,145,000	5.00	3.82[3]	BG9
2040	10,350,000	5.00	3.92[3]	BH7
2041	10,880,000	5.00	3.99[3]	BJ3
2042	11,425,000	5.00	4.04[3]	BK0
2043	10,025,000	5.00	4.11[3]	BL8
2044	10,525,000	5.00	4.17[3]	BM6
2045	11,050,000	5.00	4.23[3]	BN4
2046	11,605,000	5.00	4.28[3]	BP9

$153,215,000 Term Bonds

$24,980,000 5.00% Term Bonds due August 15, 2048; Priced at $104.551 to Yield 4.43%[2][3]; CUSIP No. Suffix[1]: BR5

$42,350,000 5.00% Term Bonds due August 15, 2051; Priced at $103.409 to Yield 4.57%[2][3]; CUSIP No. Suffix[1]: BS3

$59,025,000 5.00% Term Bonds due August 15, 2055; Priced at $102.604 to Yield 4.67%[2][3]; CUSIP No. Suffix[1]: BQ7

$26,860,000 4.50% Term Bonds due August 15, 2056; Priced at $96.489 to Yield 4.72%[2]; CUSIP No. Suffix[1]: BT1

(Interest to accrue from the Delivery Date)

REDEMPTION PROVISIONS FOR THE 2026A BONDS…. The District reserves the right, at its option, to redeem 2026A Bonds having stated maturities on and after August 15, 2037, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2036 or any date thereafter, at a redemption price equal to the par value thereof plus accrued interest to the date of redemption. The 2026A Term Bonds, hereinafter defined, are subject to mandatory sinking fund redemption as described herein. (See "THE BONDS –Redemption Provisions.")

[1] CUSIP is a registered trademark of the American Bankers Association. CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of The American Bankers Association and are included solely for the convenience of owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. None of the District, the Municipal Advisor, or the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.
[2] The initial yields at which Bonds are priced are established by and are the sole responsibility of the Underwriters and, subject to certain hold-the-offering-price restrictions of limited duration in the purchase agreement for the 2026A Bonds, may be changed by the Underwriters.
[3] Yield calculated based on the assumption that the Bonds denoted and sold at a premium will be redeemed on August 15, 2036, the first optional call date for such Bonds, at a redemption price of par plus accrued interest to the date of redemption.

MATURITY SCHEDULE FOR THE 2026B BONDS

$21,495,000
HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
UNLIMITED TAX REFUNDING BONDS, SERIES 2026B

Base CUSIP No: 421111(1)

Maturity Date (8/15)	Principal Amount	Interest Rate	Initial Yield(2)	CUSIP Suffix No. (1)
2033	$ 4,010,000	5.00%	3.16%	BU8
2034	4,210,000	5.00	3.28	BV6
2035	4,420,000	5.00	3.38	BW4
2036	4,640,000	5.00	3.49	BX2
2037	4,215,000	5.00	3.60(3)	BY0

(Interest to accrue from the Delivery Date)

REDEMPTION PROVISIONS FOR THE 2026B BONDS…. The District reserves the right, at its option, to redeem 2026B Bonds maturing on August 15, 2037, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2036 or any date thereafter, at a redemption price equal to the par value thereof plus accrued interest to the date of redemption. (See "THE BONDS –Redemption Provisions.")

(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of The American Bankers Association and are included solely for the convenience of owners of the 2026B Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. None of the District, the Municipal Advisor, or the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.
(2) The initial yields at which Bonds are priced are established by and are the sole responsibility of the Underwriters and, subject to certain hold-the-offering-price restrictions of limited duration in the purchase agreement for the 2026B Bonds, may be changed by the Underwriters.
(3) Yield calculated based on the assumption that the Bonds denoted and sold at a premium will be redeemed on August 15, 2036, the first optional call date for such Bonds, at a redemption price of par plus accrued interest to the date of redemption.

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

ELECTED OFFICIALS

Name	Term Expires (May)	Occupation
Byron Severance President	2028	Business Owner
Geoff Seibel Vice President	2027	Actuary
Esperanza Orosco Secretary	2028	Community Volunteer
Raul Vela, Jr. Trustee	2029	General Manager, Transit Company
Courtney Runkle Trustee	2027	Law Office Manager
Katy Armstrong Trustee	2029	Educator
Alex Zavala Trustee	2029	Oil & Gas Landman

CERTAIN DISTRICT OFFICIALS

Name	Position
Dr. Eric Wright	Superintendent of Schools
Deborah Ottmers	Chief Financial Officer

CONSULTANTS AND ADVISORS

Orrick, Herrington & Sutcliffe LLP Austin, Texas	Bond Counsel
RBC Capital Markets, LLC San Antonio, Texas	Municipal Advisor
Pattillo, Brown & Hill, L.L.P. Waco, Texas	Independent Auditor

For additional information regarding the District, please contact:

Deborah Ottmers
Hays Consolidated Independent School District
21003 Interstate 35
Kyle, Texas 78640
Phone: (512) 268-2141

R. Dustin Traylor
RBC Capital Markets, LLC
303 Pearl Parkway, Suite 220
San Antonio, Texas 78215
Phone: (210) 805-1117

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

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

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

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

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

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

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

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

TABLE OF CONTENTS

The cover page hereof, the section entitled "Selected Data from the Official Statement," this Table of Contents, 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 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	Hays Consolidated Independent School District (the "District") is a political subdivision of the State of Texas (the "State") located in Hays, Travis and Caldwell Counties. 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 (see "APPENDIX B - GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY").
Authority for Issuance and Use of Proceeds	The District is issuing its $253,730,000 Unlimited Tax School Building Bonds, Series 2026A (the "2026A Bonds") and its $21,495,000 Unlimited Tax Refunding Bonds, Series 2026B (the "2026B Bonds", and together with the 2026A Bonds, the "Bonds"). The 2026A Bonds are issued in accordance with the Constitution and general laws of the State of Texas, including particularly Chapter 45, Texas Education Code, as amended ("Chapter 45"), Chapter 1371, Texas Government Code, as amended, ("Chapter 1371"), an election held on May 3, 2025 (the "Election"), and a bond order passed by the Board of Trustees of the District (the "Board") on June 29, 2026 (the "Bond Order"), in which the Board delegated pricing of the 2026A Bonds and certain other matters to a pricing officer who is authorized to approve and execute a "Pricing Certificate" for each series of Bonds that sets forth the final terms of such series of Bonds (the Bond Order and the Pricing Certificates are jointly referred to herein as the "Order"). The 2026B Bonds are issued in accordance with the Constitution and general laws of the State of Texas, including particularly Chapter 1207, Texas Government Code, as amended ("Chapter 1207"), Chapter 1371, and the Order. The Pricing Certificates were executed on August 13, 2026. (See "THE BONDS – Authorization and Purpose.") Proceeds from the sale of the 2026A Bonds will be used to provide funds for: (a) the construction, acquisition, and equipment of school buildings in the District (including the rehabilitation, renovation, expansion and improvement thereof), the purchase of the necessary sites for school buildings, the purchase of new school buses, the retrofitting of school buses with emergency, safety, or security equipment, and the purchase or retrofitting of vehicles to be used for emergency, safety, or security purposes; and (b) paying the costs of issuance of the 2026A Bonds. Proceeds from the sale of the 2026B Bonds will be used to provide funds for: (a) the refunding of certain outstanding obligations of the District (the "Refunded Bonds") (see "SCHEDULE I – Schedule of Refunded Bonds") for debt service savings, and (b) paying the costs of issuance of the 2026B Bonds. (See "THE BONDS – Authorization and Purpose" and "– Sources and Uses of Funds.")
Payment of Interest	Interest on the Bonds will accrue from the Delivery Date and will be payable semiannually on February 15 and August 15, commencing February 15, 2027, until stated maturity or prior redemption. (See "THE BONDS – General Description.")
Paying Agent/Registrar	The initial Paying Agent/Registrar for the Bonds is UMB Bank, N.A., Austin, Texas (see "REGISTRATION, TRANSFER AND EXCHANGE – Paying Agent/Registrar" herein). Initially, the District intends to use the Book-Entry-Only System of The Depository Trust Company. (See "BOOK-ENTRY-ONLY SYSTEM.")
Security	The Bonds will constitute direct obligations of the District payable as to principal and interest, from a continuing direct annual ad valorem tax levied by the District against all taxable property located within the District, without legal limit as to rate or amount. (See "THE BONDS – Security.") Also see "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" for a discussion of recent developments in State law affecting the financing of school districts in Texas.

Permanent School Fund Guarantee Program	In connection with the sale of the Bonds, the District has received conditional approval from the Commissioner of Education of the Texas Education Agency for the Bonds to be guaranteed by the corpus of the Permanent School Fund of the State of Texas under the Guarantee Program for School District Bonds (Chapter 45, Subchapter C, of the Texas Education Code, as amended). (See "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM.")
Redemption Provisions	The District reserves the right, at its option, to redeem 2026A Bonds having stated maturities on and after August 15, 2037, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2036 or any date thereafter, at a redemption price equal to the par value thereof plus accrued interest to the date of redemption. The 2026A Term Bonds, hereinafter defined, are subject to mandatory sinking fund redemption as described herein. The District reserves the right, at its option, to redeem 2026B Bonds maturing on August 15, 2037, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2036 or any date thereafter, at a redemption price equal to the par value thereof plus accrued interest to the date of redemption. (See "THE BONDS – Redemption Provisions.")
Ratings	The Bonds have been assigned ratings of "AAA" by S&P Global Ratings ("S&P") and "Aaa" by Moody's Investors Service, Inc. ("Moody's"), by virtue of the guarantee of the Permanent School Fund of the State of Texas. (See "RATINGS" and "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM.") The presently outstanding unenhanced tax supported debt of the District, including the Bonds, is rated "AA-" by S&P and "A1" by Moody's.
Tax Status	In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the Bonds is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses 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. See "TAX MATTERS" herein.
Book-Entry-Only System	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 in principal amount or integral multiples thereof. No physical delivery of the Bonds will be made to the purchasers thereof (the "Beneficial Owners"). The principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM.")
Payment Record	The District has never defaulted on the payment of its bonded indebtedness.
Legal Opinions	Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the approval of certain legal matters by Orrick, Herrington & Sutcliffe LLP, Austin, Texas, Bond Counsel. (See "LEGAL MATTERS" and "Forms of Legal Opinions of Bond Counsel" attached hereto as Appendix D.)
Delivery	When issued, anticipated on or about August 27, 2026.

OFFICIAL STATEMENT RELATING TO

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Hays, Travis and Caldwell Counties)

$253,730,000 UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2026A	**$21,495,000 UNLIMITED TAX REFUNDING BONDS, SERIES 2026B**

INTRODUCTORY STATEMENT

This Official Statement, including Schedule I, and Appendices A, B and C attached hereto, has been prepared by the Hays Consolidated Independent School District located in Hays, Travis and Caldwell Counties, Texas (the "District") in connection with the offering by the District of its Unlimited Tax School Building Bonds, Series 2026A (the "2026A Bonds") and Unlimited Tax Refunding Bonds, Series 2026B (the "2026B Bonds", and together with the 2026A Bonds, the "Bonds") identified on pages ii and iii 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 Bond 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 Hays Consolidated Independent School District, 21003 Interstate 35, Kyle, Texas 78640, and, during the offering period, from the District's Municipal Advisor, RBC Capital Markets, LLC, 303 Pearl Parkway, Suite 220, San Antonio, Texas 78215, by electronic mail or upon payment of reasonable handling, mailing and delivery charges.

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

THE BONDS

Authorization and Purpose

The 2026A Bonds are issued in accordance with the Constitution and general laws of the State of Texas, including particularly Chapter 45, Texas Education Code, as amended ("Chapter 45"), Chapter 1371, Texas Government Code, as amended, ("Chapter 1371"), an election held on May 3, 2025 (the "Election"), and a bond order passed by the Board of Trustees of the District (the "Board") on June 29, 2026 (the "Bond Order"), in which the Board delegated pricing of the 2026A Bonds and certain other matters to a pricing officer who is authorized to approve and execute a "Pricing Certificate" for each series of Bonds that sets forth the final terms of such series of Bonds (the Bond Order and the Pricing Certificates are jointly referred to herein as the "Order"). The 2026B Bonds are issued in accordance with the Constitution and general laws of the State of Texas, including particularly Chapter 1207, Texas Government Code, as amended ("Chapter 1207"), Chapter 1371, and the Order. The Pricing Certificates were executed on August 13, 2026. See "APPENDIX A – Financial Information Regarding the Hays Consolidated Independent School District – Table 12 – Authorized But Unissued Bonds."

Proceeds from the sale of the 2026A Bonds will be used to provide funds for: (a) the construction, acquisition, and equipment of school buildings in the District (including the rehabilitation, renovation, expansion and improvement thereof), the purchase of the necessary sites for school buildings, the purchase of new school buses, the retrofitting of school buses with emergency, safety, or security equipment, and the purchase or retrofitting of vehicles to be used for emergency, safety, or security purposes; and (b) paying the costs of issuance of the 2026A Bonds.

Proceeds from the sale of the 2026B Bonds will be used to provide funds for: (a) the refunding of certain outstanding obligations of the District (the "Refunded Bonds") (see "SCHEDULE I – Schedule of Refunded Bonds") for debt service savings, and (b) paying the costs of issuance of the 2026B Bonds.

Refunded Bonds

The Refunded Bonds, and interest due thereon, are to be paid on the scheduled redemption date from funds to be deposited with UMB Bank, N.A., Austin, Texas (the "Escrow Agent") pursuant to an escrow agreement (the "Escrow Agreement") between the District and the Escrow Agent.

The Bond Order provides that the District will deposit certain proceeds of the sale of the 2026B Bonds along with other lawfully available funds of the District, if any, with the Escrow Agent in the amount necessary and sufficient to accomplish the discharge and final payment of the Refunded Bonds at their scheduled date of early redemption (the "Redemption Date"). Such funds will be held by the Escrow Agent in an escrow fund (the "Escrow Fund") irrevocably pledged to the payment of principal of and interest on the Refunded Bonds and will be used to purchase (i) direct non-callable obligations of United States of America, including obligations that are unconditionally guaranteed by the United States of America; (ii) non-callable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality that, on the date the Bond Order was adopted, were rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; and (iii) non callable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded that, as of the date the Bond Order was adopted, were rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent (collectively, the "Defeasance Securities"). Such maturing principal of and interest on the Defeasance Securities will be available to pay the debt service requirements on the Refunded Bonds but not the 2026B Bonds.

Prior to or simultaneously with the issuance of the 2026B Bonds, the District will give irrevocable instructions to provide notice to the owners of the Refunded Bonds that the Refunded Bonds will be redeemed prior to stated maturity on the Redemption Date, on which date money will be made available to redeem the Refunded Bonds from money held under the Escrow Agreement.

The issuance of the 2026B Bonds will be subject to delivery by Robert Thomas CPA, LLC, certified public accountants (the "Verification Agent"), of a report (the "Report") verifying at the time of delivery of the 2026B Bonds to the Underwriters the mathematical accuracy of certain computations. The Verification Agent will verify from the information provided to them the mathematical accuracy as of the date of the closing on the 2026B Bonds of the computations contained in the provided schedules to determine that the anticipated receipts from the Defeasance Securities and cash deposits listed in the schedules provided by RBC Capital Markets, LLC, as municipal advisor to the District, to be held in escrow, will be sufficient to pay, when due, the principal and interest requirements of the Refunded Bonds. The Verification Agent will express no opinion on the assumptions provided to them. See "VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS" herein.

By the deposit of the Defeasance Securities and cash, if any, with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the legal defeasance of the Refunded Bonds, pursuant to Chapter 1207, and the order authorizing the issuance of the Refunded Bonds. It is the opinion of Bond Counsel that, as a result of such defeasance, and in reliance upon the Report of the Verification Agent, the Refunded Bonds will be payable solely from the principal of and interest on the Defeasance Securities and cash, if any, on deposit in the Escrow Fund and held for such purpose by the Escrow Agent, and that the Refunded Bonds will be defeased and are not to be included in or considered to be indebtedness of the District for the purpose of a limitation of indebtedness or for any other purpose. See "APPENDIX D – Forms of Legal Opinions of Bond Counsel" herein.

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

General Description

Interest on the Bonds will accrue from the Delivery Date and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The initial paying agent/registrar for the Bonds is UMB Bank, N.A., Austin, 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 stated maturity. Interest on the Bonds will accrue from the Delivery Date at the interest rates shown on pages ii and iii hereof, will be calculated on the basis of a 360-day year consisting of twelve 30-day months, and will be payable semiannually on February 15 and August 15, commencing February 15, 2027, until stated maturity or prior redemption.

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

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

Redemption Provisions

Optional Redemption . . . The District reserves the right, at its sole option, to redeem 2026A Bonds having stated maturities on and after August 15, 2037, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof on August 15, 2036, or any date thereafter, at a redemption price equal to the par value thereof plus accrued interest to the date fixed for redemption.

The District reserves the right, at its sole option, to redeem 2026B Bonds maturing on August 15, 2037, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof on August 15, 2036, or any date thereafter, at a redemption price equal to the par value thereof plus accrued interest to the date fixed for redemption.

Mandatory Sinking Fund Redemption. . . The 2026A Bonds stated to mature on August 15 in the years 2048, 2051, 2055, and 2056 (the "2026A Term Bonds") are subject to mandatory sinking fund redemption in part, prior to their stated maturity at the redemption price of par plus accrued interest to the date of redemption on the dates and in the principal amounts as follows:

$24,980,000 Term Bonds due August 15, 2048

Mandatory Redemption Date (8/15)	Principal Amount
2047	$12,185,000
2048*	12,795,000

$42,350,000 Term Bonds due August 15, 2051

Mandatory Redemption Date (8/15)	Principal Amount
2049	$13,435,000
2050	14,105,000
2051*	14,810,000

$59,025,000 Term Bonds due August 15, 2055

Mandatory Redemption Date (8/15)	Principal Amount
2052	$15,550,000
2053	16,330,000
2054	17,145,000
2055*	10,000,000

$26,860,000 Term Bonds due August 15, 2056

Mandatory Redemption Date (8/15)	Principal Amount
2055	$ 8,000,000
2056*	18,860,000

*Stated Maturity

The particular 2026A Term Bonds to be redeemed shall be selected by the Paying Agent/Registrar by lot or other customary random selection method, on or before January 1 of each year in which 2026A Term Bonds are to be mandatorily redeemed. The principal amount of the 2026A Term Bonds required to be redeemed pursuant to the operation of such mandatory redemption requirements may be reduced, at the option of the District, by the principal amount of any such 2026A Term Bond which, at least 45 days prior to a mandatory redemption date (1) shall have been acquired by the District at a price not exceeding the principal amount of such 2026A Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the District at a price not exceeding the principal amount of such 2026A Term Bonds plus accrued interest to the date of purchase, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

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

Notice of Redemption . . . Not less than thirty (30) days prior to a redemption date for the Bonds, the District shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice.

ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN AND THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

With respect to any optional redemption of the Bonds, unless all prerequisites to such redemption required by the Order have been met, including moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed having been received by the Paying Agent/Registrar prior to the giving of notice of such redemption, such notice shall state that said redemption may, at the option of the District, be conditional upon the satisfaction of all prerequisites and receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, and if such prerequisites to the redemption and sufficient moneys are not received, such notice shall be of no force and effect, the District shall not redeem such Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

DTC Redemption Provisions . . . The Paying Agent/Registrar, so long as a book-entry system is used for the Bonds, will send any notice of redemption of the Bonds, or other notices with respect to the Bonds only to DTC (or any successor securities depository for the Bonds). Any failure by DTC to advise any Direct Participant (defined herein), or of any Direct Participant or Indirect Participant (defined herein) to notify the Beneficial Owner (defined herein), will not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the District will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bonds held for the account of Direct Participants in accordance with its rules or other agreements with Direct Participants and then Direct Participants and Indirect Participants may implement a redemption of such Bonds from the Beneficial Owners. Any such selection of Bonds to be redeemed will not be governed by the Order and will not be conducted by the District or Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar will have any responsibility to Direct Participants, Indirect Participants, or the persons for whom Direct Participants act as nominees, with respect to the payments on the Bonds or the providing of notice to Direct Participants, Indirect Participants, or Beneficial Owners of the selection of portions of the Bonds for redemption. (See “BOOK-ENTRY-ONLY SYSTEM” herein.)

Security

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

Permanent School Fund Guarantee

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

Legality

The Bonds are offered when, as and if issued, and subject to the approving opinion of the Attorney General of the State of Texas and the opinion of Orrick, Herrington & Sutcliffe LLP, Austin, Texas, Bond Counsel. (See "LEGAL MATTERS" and "Appendix D – Forms of Legal Opinions of Bond Counsel.")

Payment Record

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

Defeasance of Bonds

Except as otherwise provided in the Pricing Certificate, the Bond Order provides that the District may defease the provisions of the Bond Order and discharge its obligation to the Owners of any or all of the Bonds to pay the principal of and interest thereon in any manner now or hereafter permitted by law, including (but not limited to) by depositing with the Paying Agent/Registrar or a trust company, commercial bank, or other eligible financial institution or with the Comptroller either (1) cash in an amount equal to the principal amount of and interest on Bonds to the date of maturity or earlier redemption, if any, or (2) pursuant to an escrow or trust agreement, cash and/or Defeasance Securities (defined below), the principal of and interest on which will, when due or redeemable at the option of the holder, without further investment or reinvestment of either the principal amount thereof or the interest earnings thereon, provide money in an amount which, together with other moneys, if any, held in such escrow at the same time and available for such purpose, shall be sufficient to provide for the timely payment of the principal of and interest on the Bonds to the date of maturity or earlier redemption. Upon such deposit, such Bonds shall no longer be regarded to be outstanding or unpaid. Any surplus amount not required to accomplish such defeasance shall be returned to the District. In the Bond Order, "Defeasance Securities" means (i) direct non-callable obligations of United States of America, including obligations that are unconditionally guaranteed by the United States of America; (ii) non-callable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; and (iii) non-callable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, which, in the case of (i), (ii) or (iii), may be in book-entry form.

The Pricing Officer may restrict such eligible securities and obligations as deemed appropriate. In the event the Pricing Officer restricts such eligible securities and obligations, the final Official Statement will reflect the new authorized Defeasance Securities. There is no assurance that current State 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 Bond Order does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities or those for any other Defeasance Security will be maintained at any particular rating category.

The District has the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance, and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance.

After firm banking and financial arrangements for the discharge and final payment of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided however, the District reserves the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption at an earlier date those Bonds which have been defeased to their maturity date, if the District (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption, (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements, and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

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

Amendments

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

Sources and Uses of Funds

The proceeds from the sale of the 2026A Bonds will be applied approximately as follows:

Sources:	
Principal Amount of the 2026A Bonds	$253,730,000.00
Net Original Issue Reoffering Premium on the 2026A Bonds	10,687,049.60
Total Source of Funds	**$264,417,049.60**
Uses:	
Deposit for the Projects	$262,500,000.00
Costs of Issuance, Underwriters' Discount and excess proceeds	1,917,049.60
Total Uses of Funds	**$264,417,049.60**

The proceeds from the sale of the 2026B Bonds will be applied approximately as follows:

Sources:	
Principal Amount of the 2026B Bonds	$21,495,000.00
Original Issue Reoffering Premium on the 2026B Bonds	2,587,815.70
District Contribution	8,000,000.00
Total Source of Funds	**$32,082,815.70**
Uses:	
Deposit to the Escrow Fund	$31,860,634.22
Costs of Issuance, Underwriters' Discount and excess proceeds	222,181.48
Total Uses of Funds	**$32,082,815.70**

REGISTERED OWNERS' REMEDIES

The Bond Order does not specify events of default with respect to the Bonds. If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or the State fails to honor the Permanent School Fund Guarantee as hereinafter discussed, or the District defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the registered owners may seek a writ of mandamus to compel the District or District officials to carry out the legally imposed duties with respect to the Bonds if there is no other available remedy at law to compel performance of the Bonds or the Bond Order and the District's obligations are not uncertain or disputed, as well as to enforce the rights of payment under the Permanent School Fund Guarantee. The issuance of a writ of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Bond 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 Bond Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Chapter 1371, which pertains to the issuance of public securities by issuers such as the District, permits the District to waive sovereign immunity in the proceedings authorizing the issuance of the Bonds. Notwithstanding its reliance upon the provisions of Chapter 1371 in connection with the issuance of the Bonds (see "THE BONDS – Authorization and Purpose" herein), the District has not waived the defense of sovereign immunity with respect thereto. Because it is unclear whether the Texas Legislature has effectively waived the District's sovereign immunity from a suit for money damages outside of Chapter 1371, bondholders may not be able to bring such a suit against the District for breach of the Bonds or Order covenants in the absence of District action. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds.

Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. See "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein for a description of the procedure to be followed for the payment of the Bonds by the Permanent School Fund in the event the District fails to make payment on the Bonds when due. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors and by general principles of equity which permit the exercise of judicial discretion.

BOOK-ENTRY-ONLY SYSTEM

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

None of the District, the Municipal Advisor, or the Underwriters can and in fact do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

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

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

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

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

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

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

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

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bonds certificates are required to be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District, the Municipal Advisor and the Underwriters believe to be reliable, but the District, the Municipal Advisor and the Underwriters take no responsibility for the accuracy thereof.

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

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered in accordance with the Bond 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 Book-Entry-Only form, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, payment or notices that are to be given to registered owners under the Bond Order will be given only to DTC.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

UMB Bank, N.A., Austin, Texas, has been named to serve as initial Paying Agent/Registrar for the Bonds. In the Bond Order, the District retains the right to replace the Paying Agent/Registrar. If the District replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the District shall be a legally qualified bank, trust company, financial institution or other agency authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Future Registration

In the event the Book-Entry-Only System is discontinued, printed Bond certificates will be delivered to the Owners of the Bonds and thereafter the Bonds may be transferred, registered and assigned on the registration books only upon presentation and surrender of such printed certificates to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the Registered Owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bond being transferred or exchanged at the designated office of the Paying Agent/Registrar, or sent by United States registered mail to the new Registered Owner at the Registered Owner's request, risk and expense. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner in not more than three (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the Registered Owner or its duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in authorized denominations and for a like kind and aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to the ownership and transferability of the Bonds.

Record Date For Interest Payment

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

Limitation on Transfer of Bonds

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

Replacement Bonds

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

AD VALOREM PROPERTY TAXATION

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. 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.

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 responsible for appraising property for all taxing units within the county.

The appraisal of property within the District is the responsibility of the Hays Central Appraisal District (with respect to property located in Hays County), Travis Central Appraisal District (with respect to property located in Travis County), and Caldwell County Appraisal District (with respect to property located in Caldwell County) (as applicable, the "Appraisal Districts"). Except as generally described below, the Appraisal Districts are required to appraise all property within the Appraisal Districts 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 Districts are 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 each Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board. See "AD VALOREM PROPERTY TAXATION - District and Taxpayer Remedies."

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

Unless extended by the Legislature, through December 31, 2026 an appraisal district is prohibited from increasing the appraised value of real property during the 2025 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than $5.16 million dollars (the "maximum property value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. The maximum property value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value.

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

The appraisal values set by each 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 school district taxes imposed for general elementary and secondary public school purposes, (1) a $140,000 exemption of the appraised value of all homesteads (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 Legislative Sessions" herein), (2) a $60,000 exemption of the appraised value of the residence homesteads of persons sixty-five (65) years of age or older and the disabled (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 Legislative Sessions" 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.

Local Option Homestead Exemptions

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

Cities, counties and school districts are prohibited from repealing or reducing an optional homestead exemption that was granted in tax year 2022 through December 31, 2027.

State Mandated Freeze on School District Taxes

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

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

Personal Property

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

Freeport and Goods-In-Transit Exemptions

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

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

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

Other Exempt Property

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

Temporary Exemption for Qualified Property Damaged by a Disaster

The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the Governor to be a disaster area following a disaster and is at least 15 percent physically damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. Except in situations where the territory is declared a disaster on or after the date the taxing unit adopts a tax rate for the year in which the disaster declaration is issued, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the governor declares the area to be a disaster area. The Texas Legislature amended Section 11.35, Tax Code to clarify that the temporary tax exemption applies only to property physically harmed as a result of a declared disaster. For more information on the exemption, reference is made to Section 11.35 of the 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 amount by which the appraised value of taxable real property located in the TIRZ for a year exceeds the base value is known as the "captured appraised value." The "tax increment" for a year is the amount of property taxes levied and collected by each participating taxing unit on the captured appraised value. During the existence of the TIRZ, all or a portion of the tax increment of a city or county, and of each other overlapping taxing unit that has elected to participate, is required to be deposited into the tax increment fund for the TIRZ and is restricted to paying planned project and financing costs within the TIRZ, and such amounts are not available for the payment of other obligations of such taxing units.

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

Tax Limitation Agreements

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

Tax Abatement Agreements

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

During the 88th Regular Session, House Bill 5 (codified as Chapter 403, Texas Government Code, Subchapter T. Texas Jobs, Energy, Technology and Innovation Act ("Chapter 403")) was enacted into law. Chapter 403 is intended as a replacement of former Chapter 313, Texas Tax Code, but it contains significantly different provisions than the prior program under Chapter 313, Texas Tax Code. The effective date of Chapter 403 was January 1, 2024. Under Chapter 403, a school district may offer a 50%

abatement on taxable value for maintenance and operations property taxes for certain eligible projects, except that projects in a federally designated economic opportunity zone receive a 75% abatement. Chapter 403 also provides a 100% abatement of maintenance and operations taxes for eligible property during a project's construction period. Taxable valuation for purposes of the debt services taxes securing the Obligations cannot be abated under Chapter 403. Eligible projects must relate to manufacturing, provision of utility services, dispatchable electric generation (such as non-renewable energy), development of natural resources, critical infrastructure, or research and development for high-tech equipment or technology, and projects must create and maintain jobs and meet certain minimum investment requirements.

District and Taxpayer Remedies

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

Owners of certain property (being (i) commercial real and personal property, (ii) real and personal property of utilities, (iii) industrial and manufacturing real and personal property, and (iv) multifamily residential real property) with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of 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 become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the District may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances. The Property Tax Code permits taxpayers owning homes or certain businesses located in a disaster area and damaged as a direct result of the declared disaster to pay taxes imposed in the year following the disaster in four equal installments without penalty or interest, commencing on February 1 and ending on August 1. See "AD VALOREM PROPERTY TAXATION – Temporary Exemption for Qualified Property Damaged by a Disaster" for further information related to a discussion of the applicability of this section of the Property Tax Code.

District's Rights in the Event of Tax Delinquencies

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

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

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

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

District Application of the Tax Code

The Appraisal Districts have the responsibility for appraising property in the District. Each Appraisal District is governed by a board of directors appointed by voters of the respective governing bodies of various political subdivisions in the counties.

The District grants a State mandated homestead exemption of $140,000 for taxpayers.

The District has not granted a local optional, additional exemption of 20% of the market value of residence homesteads.

The District grants a State mandated additional exemption of $60,000 for taxpayers who are at least 65 years of age or disabled.

The District grants a State mandated property tax exemption for disabled veterans.

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

The District does not tax non-business personal property.

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

The District grants a Freeport exemption, and the District has taken action to tax goods-in-transit.

The District does not participate in a TIRZ.

The District does not offer tax abatements.

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

Litigation Relating to the Texas Public School Finance System

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

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

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

Current Litigation Relating to the Texas Public School Finance System

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

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

Possible Effects of Changes in Law on District Bonds

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

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

Overview

The following language constitutes only a summary of the public school finance system as it is currently structured. 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. See "– 2025 Legislative Session," below. For a more complete description of school finance and fiscal management in the State, reference is made to Chapters 43 through 49 of the Texas Education Code, as amended. Additionally, prospective investors are encouraged to review the Property Tax Code (as defined herein) for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the defined tax rates.

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

2025 Legislative Session

The regular session of the 89th Texas Legislature (the "Legislature") commenced on January 14, 2025 and concluded on June 2, 2025 (the "89th Regular Session"). The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor of Texas (the "Governor") may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda The Governor called a first special session, which began on July 21, 2025 and ended on August 15, 2025, and a second special session, which began on August 15, 2025 and ended on September 4, 2025 (such special sessions, collectively with the 89th Regular Session, are referred to herein as the "2025 Legislative Sessions").

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

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

Local Funding for School Districts

A school district's M&O tax rate is comprised 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 2019 Legislation amended formulas for the State Compression Percentage and Maximum Compressed Tax Rate (each as described below) 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: (i) 93% or a lower percentage set by appropriation for a school year; (ii) a percentage determined by formula if the estimated total taxable property value of the State (as submitted annually to the Legislature by the State Comptroller of Public Accounts) has increased by at least 2.5% over the prior year; and (iii) the prior year SCP. For any year, the maximum SCP is 93%. For the State fiscal year ending in 2027, the SCP is set at 62.54%.

Maximum Compressed Tax Rate. The Maximum Compressed Tax Rate (the "MCR") is the tax rate per $100 of valuation of taxable property at which a school district must levy its Tier One Tax Rate to receive the full amount of the Tier One funding to which the school district is entitled. The MCR is equal to the lesser of two alternative calculations: (1) the "State Compression Percentage" (as discussed above) multiplied by $1.00; or (2) a percentage determined by formula if the school district experienced a year-over-year increase in property value of at least 2.5% (if the increase in property value is less than 2.5%, then MCR is equal to the prior year's MCR). However, each year the TEA shall evaluate the MCR for each school district in the State, and for any given year, if a school district's MCR is calculated to be less than 90% of any other school district's MCR for the current year, then the school district's MCR is instead equal to the school district's prior year MCR, until TEA determines that the difference between the school district's MCR and any other school district's MCR is not more than 10%. These compression formulas are intended to more closely equalize local generation of Tier One funding among districts with disparate tax bases and generally reduce the Tier One Tax Rates of school districts as property values increase. For the 2025-2026 school year, the Legislature reduced the maximum MCR, establishing $0.6322 as the maximum rate and $0.5689 as the floor; provided.

For the 2026-2027 school year, the MCR was established with $0.6254 as the maximum rate and $0.5628 as the floor.

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

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

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

State Funding for School Districts

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

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

The current Finance System also provides an Existing Debt Allotment ("EDA") to subsidize debt service on eligible outstanding school district bonds, an Instructional Facilities Allotment ("IFA") to subsidize debt service on newly issued bonds, and a New Instructional Facilities Allotment ("NIFA") to subsidize operational expenses associated with the opening of a new instructional facility. IFA primarily addresses the debt service needs of property-poor school districts. For the 2026-2027 State fiscal biennium, the Legislature appropriated funds in the amount of $1,072,511,740 for the EDA, IFA, and NIFA.

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

Tier One. Tier One funding is the basic level of programmatic funding guaranteed to a school district, consisting of a State-appropriated baseline level of funding (the "Basic Allotment") for each student in "Average Daily Attendance" (being generally calculated as the sum of student attendance for each State-mandated day of instruction divided by the number of State-mandated days of instruction, defined herein as "ADA"). The Basic Allotment is revised downward if a school district's Tier One Tax Rate is less than the State-determined threshold. The Basic Allotment is supplemented by additional State funds, allotted based upon the unique school district characteristics, the demographics of students in ADA, and the educational programs the students are being served in, to make up most of a school district's Tier One entitlement under the Foundation School Program.

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

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

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

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

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

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

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

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

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

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

Recapture is measured by "local revenue level" (being the M&O tax revenues 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 revenues below their statutory entitlements.

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

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT

For the 2025-26 fiscal year, the District was not designated as an "excess local revenue" Chapter 49 school district by the TEA. Accordingly, the District has not been required to exercise one of the options to reduce local revenues permitted under applicable State law. As a district with local revenue less than the maximum permitted level, the District may benefit in the future by agreeing to accept taxable property or funding assistance from, or agreeing to consolidate with, a property-rich district to enable such district to reduce its wealth per student to the permitted level.

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

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

TAX RATE LIMITATIONS

M&O Tax Rate Limitations

A school district is authorized to levy maintenance and operation ("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 rate that may be levied by a district cannot exceed the voted maximum rate or the maximum rate described in the next succeeding paragraph (see "TAX RATE LIMITATIONS – Public Hearing and Voter-Approval Tax Rate" below). 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 June 17, 1967, under Article 2784e-1, Texas Revised Civil Statutes Annotated, as amended.

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

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, as well as hold-harmless funding from the State, which effectively reduces the school district's local share of debt service, and may also take into account Tier One funds allotted to the school district. If a school district exercises this option, it may not adopt an I&S tax until it has credited to the school district's I&S fund an amount equal to all State allotments provided solely for payment of debt service and any Tier One funds needed to demonstrate compliance with the 50-cent Test and which is received or to be received in that year. Additionally, a school district may demonstrate its ability to comply with the 50-cent Test by applying the $0.50 tax rate to an amount equal to 90% of projected future taxable value of property in the school district, as certified by a registered professional appraiser, anticipated for the earlier of the tax year five (5) years after the current tax year or the tax year in which the final payment for the bonds is due. However, if a school district uses projected future taxable values to meet the 50-cent Test and subsequently imposes a tax at a rate greater than $0.50 per $100 of valuation to pay for bonds subject to the 50-cent Test, then for subsequent bond issues, the Texas Attorney General must find that the school district has the projected ability to pay principal and interest on the proposed bonds and all previously issued bonds subject to the 50-cent Test from a tax rate of $0.45 per $100 of valuation. Once the prospective ability to pay such tax has been shown and the bonds are issued, a school district may levy an unlimited tax to pay debt service. Refunding bonds issued pursuant to Chapter 1207 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, in part, as new debt for school building purposes pursuant to Chapter 45 and are, therefore, subject to the 50-cent Test. In connection with the issuance of the Bonds, the District does not expect to use State assistance or projected property values to satisfy this threshold 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, less any amount by which the school district is required to reduce its current year Enrichment Tax Rate pursuant to Section 48.202(f), Education Code, as amended, 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 SCP, 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.

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

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

EMPLOYEES BENEFIT PLAN

The District's employees participate in a retirement plan (the "Plan") with the State of Texas. The Plan is administered by the Teacher Retirement System of Texas ("TRS"). State contributions are made to cover costs of the TRS retirement plan up to certain statutory limits. The District is obligated for a portion of TRS costs relating to employee salaries that exceed the statutory limit. For the year ending June 30, 2025, the State contributed $11,196,451 to TRS on behalf of the District and other contributions into the Plan made from the District for salaries above the statutory minimum of $7,608,037.

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

Formal collective bargaining agreements relating directly to wages and other conditions of employment are prohibited by Texas law, as are strikes by teachers. There are various local, state and national organized employee groups who engage in efforts to better the terms and conditions of employment of school employees. Some examples of these groups are the Texas State Teachers

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

RATINGS

The Bonds have been assigned a rating of “AAA” by S&P Global Ratings (“S&P”) and “Aaa” by Moody’s Investors Service, Inc. (“Moody’s”), by virtue of the guarantee of the Permanent School Fund of the State of Texas. The presently outstanding unenhanced tax supported debt of the District, including the Bonds, is rated “AA-” by S&P and “A1” by Moody’s. An explanation of the significance of such ratings may be obtained from S&P and Moody’s. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

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

LEGAL MATTERS

Legal Opinions

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

Though it represents the Municipal Advisor and the Underwriters from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the District in the issuance of the Bonds. Except as noted below, Bond Counsel did not take part in the preparation of this Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein except that in its capacity as Bond Counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas has reviewed the information under the captions and subcaptions “THE BONDS” (except for the subcaptions “Redemption Provisions – DTC Redemption Provisions”, the second sentence under “Security”, “Permanent School Fund Guarantee”, “Payment Record”, and “Sources and Uses of Funds” as to which no opinion is expressed), “REGISTRATION, TRANSFER AND EXCHANGE”, “STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS”, “CURRENT PUBLIC SCHOOL FINANCE SYSTEM”, “TAX RATE LIMITATIONS – M&O Tax Rate Limitations” (first paragraph only), “LEGAL MATTERS” (except for the last three sentences of the third paragraph and the fourth paragraph of the subheading “Legal Opinions”, as to which no opinion is expressed), “TAX MATTERS”, and “CONTINUING DISCLOSURE OF INFORMATION” (except the information under the subheading “Compliance with Prior Undertakings” as to which no opinion is expressed) excluding any material that may be treated as included under such captions or subcaptions by cross reference or reference to other documents or sources, and such firm is of the opinion that insofar as such statements expressly summarize certain provisions of the Bonds and the Bond Order or set out the content of the Bond Opinion, such statements are accurate in all material respects.

The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of Bonds are contingent on the sale and delivery of the Bonds. The legal opinion of Bond Counsel may accompany the Bonds deposited with DTC or may be printed on the definitive Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by Cantu Harden Montoya LLP, San Antonio, Texas, as counsel to the Underwriters. The legal fee of such firm is contingent upon the sale and delivery of the Bonds.

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

Legal Investment and Eligibility to Secure Public Funds in Texas

Under the Texas Public Security Procedures Act (Texas Government Code, Chapter 1201), the Bonds (1) are negotiable instruments, (2) are investment securities to which Chapter 8 of the Texas Uniform Commercial Code applies, and (3) 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. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least $1 million of capital, and savings and loan associations. In accordance with the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "PFIA"), the Bonds must be rated at least "A" or its equivalent as to investment quality by a national rating agency in order for most municipalities or other political subdivisions or public agencies of the State of Texas to invest in the Bonds, except for purchases of interest and sinking funds of such entities. See "RATINGS" herein. Moreover, municipalities or other political subdivisions or public agencies of the State of Texas that have adopted investment policies and guidelines in accordance with the PFIA may have other, more stringent requirements for purchasing securities, including the Bonds. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value.

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

Registration and Qualification of Bonds for Sale

No registration statement relating to the Bonds has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon one or more exemptions thereunder. The Bonds have not been approved or disapproved by the Securities and Exchange Commission, nor has the Securities and Exchange Commission passed upon the accuracy or adequacy of the Official Statement. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities acts of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

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

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses 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. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix D hereto.

To the extent 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), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Bonds") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future federal or state legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislature proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

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 Beneficial Owner of Bonds may be subject to backup withholding 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 a Beneficial Owner's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain Beneficial Owners (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. The failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

INVESTMENT POLICIES

Investments

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

Legal Investments

Under State law, the District is authorized to make investments meeting the requirements of the PFIA, which currently include (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the District selects from a list the governing body or designated investment committee of the District adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in the State that the District selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the District's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the District appoints as the District's custodian of the banking deposits issued for the District's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission (the "SEC") and operating under SEC Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of the PFIA that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for District deposits, or (ii) certificates of deposits where (a) the funds are invested by the District through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the District as required by law, or (B) a depository institution that has its main office or branch office in the State that is selected by the District, (b) the broker or the depository institution selected by the District arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the District, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the District appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the District with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described in clause (1) above, clause (12) below, require the securities being purchased by the District or cash held by the District to be pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less; (12) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (13) commercial paper with a stated maturity of 365 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (14) no-load money market mutual funds registered with and regulated by the United States SEC that provide the District with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with federal SEC Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and (15) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and either (a) a duration of one year or more and invest exclusively in obligations described under this heading, or (b) a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract and are pledged to the District and deposited with the District or a third party selected and approved by the District.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAAm" or an equivalent by at least one nationally recognized rating service. The District may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance, or resolution. The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than ten (10) years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

As a school district that qualifies as an "issuer" under Chapter 1371, the District is also authorized to purchase, sell, and invest its funds in corporate bonds. State law defines "corporate bonds" as senior secured debt obligations issued by a domestic business entity and rated not lower than "AA-" or the equivalent by a nationally recognized investment rating firm. The term does not include a bond that is convertible into stocks or shares in the entity issuing the bond (or an affiliate or subsidy thereof) or any unsecured debt. Corporate bonds must finally mature not later than 3 years from their date of purchase by the school district. A school district may not (1) invest more than 15% of its monthly average fund balance (excluding bond proceeds, reserves, and other funds held for the payment of debt service) in corporate bonds; or (2) invest more than 25% of the funds invested in corporate bonds in any one domestic business entity (including subsidiaries and affiliates thereof). Corporate bonds held by a school district must be sold if they are at any time downgraded below "AA-" (or the equivalent thereof) or, with respect to a corporate bond rated "AA-" (or the equivalent thereof), such corporate bond is placed on negative credit watch. Corporate bonds are not an eligible investment for a public funds investment pool. To invest in corporate bonds, an eligible school district must first (i) amend its investment policy to authorize corporate bonds as an eligible investment, (ii) adopt procedures for monitoring rating changes in corporate bonds and liquidating an investment in corporate bonds, and (iii) identify funds eligible to be invested in corporate bonds. As of the date of this Official Statement, the District has taken the steps necessary to allow for investing in corporate bonds but has not made any investments in that type of instrument.

Investment Policies

Under State law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for District funds, the maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

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

Under State law, the District is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt by written instrument a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and recording any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the District to disclose the relationship and file a statement with the Texas Ethics Commission and the Board; (4) require the qualified representative of firms offering to engage in an investment transaction with the District to: (a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the District and the business organization that are not authorized by the District's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the entity's entire portfolio, requires an interpretation of subjective investment standards or relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority), and (c) deliver a written statement in a form acceptable to the District and the business organization attesting to these requirements; (5) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the District's investment policy; (6) provide specific investment training for the Treasurer, chief financial officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise and adopt a list of qualified brokers that are authorized to engage in investment transactions with the District.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Report

The District will provide updated financial information and operating data to the MSRB annually via EMMA. 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 Tables 1, 2 and 5 through 19 of Appendix A and in Appendix C which consists of excerpts from the District's audited financial statements. The District will update and provide information of the general type appearing in the foregoing numbered tables within six months after the end of each fiscal year ending in and after 2026. The District will additionally provide audited financial statements when and if available, if the District commissions an audit and it is completed within 12 months after the end of each fiscal year. If audited financial statements are not available within 12 months after the end of the fiscal year, the District will provide such financial statements on an unaudited basis within such 12-month period, and audited financial statements when and if they become available. Financial statements will be prepared in accordance with the accounting principles described in Appendix C or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

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

The District's current fiscal year end is June 30. Accordingly, the District must provide updated information included in the above-referenced tables 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) must be provided by June 30 of the following year (for the prior fiscal 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.

Notice of Certain Events

The District will file with the MSRB notice of any of the following events with respect to the Bonds in a timely manner (and not more than 10 business days after occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax determinations with respect to the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the District or sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District, if material, or an agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the District or obligated person, any of which reflect financial difficulties. Neither the Bonds nor the Order make any provision for debt service reserves, credit enhancement (except with respect to the Permanent School Fund guarantee), or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports”. The District will provide each notice described in this paragraph to the MSRB.

For these purposes, any event described in clause (12) of the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers of the District in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District, and (b) the District intends the words “financial obligation” used in clauses (15) and (16) of the immediately preceding paragraph and in the definition of “financial obligation” within the undertaking described above to have the same meanings as when they are used in Rule 15c2-12, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

Availability of Information

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

Limitations and Amendments

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

The continuing disclosure agreement may be amended by the District from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with Rule 15c2-12, taking into account any amendments or interpretations of Rule 15c2-12 to the date of such amendment as well as such changed circumstances, and (2) either (a) the registered owners of a majority in aggregate principal amount (or any greater amount required by any other provision of the Bond Order that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the registered owners and Beneficial Owners of the Bonds. The District may also amend or repeal the provisions of the continuing disclosure agreement if the SEC amends or repeals the applicable provision of Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of Rule 15c2-12 are invalid, and the District also may amend the provisions of this continuing disclosure agreement in its discretion in any other manner or circumstance, but in any case only if and to the extent that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds, giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of Rule 15c2-12. If the District amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in type of information and data provided.

Compliance with Prior Undertakings

The District has substantially complied with all continuing disclosure agreements made in accordance with Rule 15c2-12 during the past five years with the following exception. On May 21, 2025, Fitch Ratings, Inc. downgraded the District's underlying credit rating from "AA" to "AA-". The District did not timely file notice of the ratings downgrade but has timely provided notice of subsequent rating changes. The District filed an event notice relating to the downgrade on August 18, 2026. The District has taken steps to ensure that all future filings are complete and in compliance with its prior continuing disclosure undertakings.

LITIGATION

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

VERIFICATION OF ARITHMETICAL AND MATHEMATICAL COMPUTATIONS

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

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

MUNICIPAL ADVISOR

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

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

UNDERWRITING

The Underwriters have agreed, subject to certain customary conditions, to purchase the 2026A Bonds at a price equal to the initial offering prices to the public, as shown on page ii, less an Underwriters' discount of $1,258,418.70, and no accrued interest. The Underwriters' obligations are subject to certain conditions precedent, and they will be obligated to purchase all of the 2026A Bonds if any 2026A Bonds are purchased. The 2026A Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

The Underwriters have agreed, subject to certain customary conditions, to purchase the 2026B Bonds at a price equal to the initial offering prices to the public, as shown on page iii, less an Underwriters' discount of $102,404.62, and no accrued interest. The Underwriters' obligations are subject to certain conditions precedent, and they will be obligated to purchase all of the 2026B Bonds if any 2026B Bonds are purchased. The 2026B Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

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

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include 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. Certain of the Underwriters and their respective 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 Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the District (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the District. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

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

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

CYBERSECURITY RISKS

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

WEATHER EVENTS

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, State 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 (see “TAX RATE LIMITATIONS – Public Hearing and Voter-Approval Tax Rate”). There can be no assurance that a casualty loss to taxable property within the District 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.

FORWARD LOOKING STATEMENTS

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

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

CONCLUDING STATEMENT

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

MISCELLANEOUS

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, SEC Rule 15c2-12.

In the Bond Order, the Board authorized the Pricing Officer to approve, for and on behalf of the District, (i) the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and (ii) the Underwriters’ use of this Official Statement in connection with the public offering and the sale of the Bonds in accordance with the provisions of Rule 15c2-12.

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

/s/ Deborah Ottmers
Pricing Officer

SCHEDULE I

SCHEDULE OF REFUNDED BONDS

	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
Unlimited Tax Refunding Bonds, Series 2016	08/15/2032	5.00%	$ 750,000	09/30/2026	100.00
	08/15/2033	5.00	5,810,000	09/30/2026	100.00
	08/15/2034	4.00	6,100,000	09/30/2026	100.00
	08/15/2035	4.00	6,345,000	09/30/2026	100.00
	08/15/2036	4.00	6,595,000	09/30/2026	100.00
	08/15/2037	4.00	6,205,000	09/30/2026	100.00
			$31,805,000		

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APPENDIX A

FINANCIAL INFORMATION
REGARDING THE HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

FINANCIAL INFORMATION REGARDING THE HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

Table 1
ASSESSED VALUATION[1]

2025/26 Total Assessed Valuation	$ 28,501,587,356
Less Exemptions	Value
Residential Homestead	$ 4,499,621,087
Homestead Cap Adjustment	496,097,782
Non-Homestead Cap Adjustment	267,204,658
Over 65/Disabled Persons	454,559,710
Disabled/Deceased Veterans	337,271,425
Pollution Control	20,815,764
Productivity Loss	3,199,464,118
Prorated Exempt Property	1,569,840
Total (32.54% of Total Assessed Valuation)	$ 9,276,604,384
2025/26 Taxable Assessed Valuation[2]	$ 19,224,982,972

[1] Source: Hays Central Appraisal District, Caldwell County Appraisal District, Travis Central Appraisal District and State Property Tax Reports. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal Districts updates their records. Such valuation includes an increase in the State-mandated general residence homestead exemption from $100,000 to $140,000 and an increase in the State-mandated residence homestead exemption for persons 65 years of age or older and the disabled from $10,000 to $60,000 pursuant to a constitutional amendment approved at a statewide election held on November 4, 2025. Includes Frozen Values.
Note: The District's 2026/27 Taxable Assessed Valuation as of certification is $19,332,249,276.

Table 2
UNLIMITED TAX DEBT OUTSTANDING

Unlimited Tax Bonds Outstanding (as of August 1, 2026)	$ 1,233,960,000 [1]
The 2026A Bonds	253,730,000
The 2026B Bonds	21,495,000
Less: Interest & Sinking Fund Balance (as of June 30, 2025)	40,355,518
NET UNLIMITED TAX DEBT OUTSTANDING	$ 1,447,334,482
Ratio of Unlimited Tax Debt Outstanding to 2025/26 Taxable Assessed Value	7.53%

Estimated Population[2]	134,220	Per Capita 2025/26 Taxable Assessed Valuation[4]	$143,235
2025/26 Enrollment[3]	25,049	Per Capita 2025/26 Total Assessed Valuation[4]	$212,350
Area (square miles)[3]	217.21	Per Capita Net Debt	$10,783

[1] Net of the Refunded Bonds. Net of a portion of the District's Unlimited Tax School Building Bonds, Series 2018A which is anticipated to be defeased on August 25, 2026.
[2] Source: Municipal Advisory Council of Texas.
[3] Source: District Records.
[4] For more detail regarding Taxable Assessed Valuation and Total Assessed Valuation, see Table 1 above.

Table 3

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 hereof, 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.

Taxing Body	Gross General Obligation Debt Dollar Amount[(1)]	As of	Percent Overlap[(2)]	Dollar Overlap
Anthem MUD	$ 25,980,000	05/31/2026	100.00%	$ 25,980,000
Austin Community College District	657,685,000	05/31/2026	5.59%	36,764,592
Buda, City of	168,640,000	05/31/2026	100.00%	168,640,000
Caldwell County	64,820,000	05/31/2026	2.45%	1,588,090
Crosswinds MUD	43,925,000	05/31/2026	100.00%	43,925,000
Driftwood Conservation District	22,060,000	05/31/2026	92.47%	20,398,882
East Hays Co MUD No. 1	13,620,000	05/31/2026	100.00%	13,620,000
Greenhawe WC&ID No. 2	5,580,000	05/31/2026	16.31%	910,098
Hays County	695,683,512	05/31/2026	42.78%	297,613,406
Kyle, City of	254,830,000	05/31/2026	99.89%	254,549,687
La Salle MUD No. 1	9,200,000	05/31/2026	100.00%	9,200,000
Mountain City, City of	110,000	05/31/2026	100.00%	110,000
North Hays County MUD No. 1	40,000,000	05/31/2026	100.00%	40,000,000
North Hays County MUD No. 2	15,010,000	05/31/2026	100.00%	15,010,000
San Marcos, City of	438,675,000	05/31/2026	13.00%	57,027,750
South Buda WC&ID No. 1	31,925,000	05/31/2026	100.00%	31,925,000
Sunfield MUD No. 1	71,366,529	05/31/2026	100.00%	71,366,529
Sunfield MUD No. 3	121,634,944	05/31/2026	100.00%	121,634,944
Sunfield MUD No. 4	34,638,527	05/31/2026	100.00%	34,638,527
Travis County	1,202,190,000	05/31/2026	0.08%	961,752
Travis County Healthcare District	398,205,000	05/31/2026	0.08%	318,564
Wayside MUD	4,750,000	05/31/2026	100.00%	4,750,000
The District[(3)]	1,487,690,000	08/01/2026	100.00%	1,487,690,000
Total Direct and Overlapping Debt				$ 2,738,622,821

(1) Excludes interest accreted on outstanding capital appreciation bonds.
(2) Source: Municipal Advisory Council of Texas.
(3) Includes the Bonds.

Table 4

2025/26 TOTAL TAX RATES OF OVERLAPPING ENTITIES[(1)(2)]

Anthem MUD	$1.000
Austin Community College District	$0.103
Buda, City of	$0.358
Caldwell County	$0.789
Crosswinds MUD	$0.900
Driftwood Conservation District	$1.000
East Hays Co MUD No. 1	$0.910
Greenhawe WC&ID #2	$0.130
Hays County	$0.357
Kyle, City of	$0.596
La Salle MUD No. 1	$0.950
Mountain City, City of	$0.077
North Hays County MUD No. 1	$0.460
North Hays County MUD No. 2	$0.200
San Marcos, City of	$0.652
South Buda WC&ID No. 1	$0.616
Sunfield MUD No. 1	$0.870
Sunfield MUD No. 3	$0.900
Sunfield MUD No. 4	$0.900
Travis County	$0.376
Travis County Healthcare District	$0.118
Wayside MUD	$1.000

(1) Source: The District's audited financial statements and the Municipal Advisory Council of Texas.
(2) The tax rates shown above do not apply to the entire District. See Table 3 above for the percentage of the District located in each of the referenced entities.

Table 5
PROPERTY TAX RATES AND COLLECTIONS

Tax Year	Taxable Assessed Valuation[1]	Tax Rate	% Collections[2] Current	Total	Fiscal Year Ended[3]
2015	$ 5,188,776,470	$1.5377	99.50%	100.18%	8-31-16
2016	6,186,616,983	1.5377	99.30%	100.29%	8-31-17
2017	6,825,171,269	1.5377	99.83%	100.34%	8-31-18
2018	7,805,394,006	1.5377	98.87%	99.38%	6-30-19
2019	8,904,188,541	1.4677	99.52%	99.92%	6-30-20
2020	10,028,514,369	1.4037	99.24%	100.22%	6-30-21
2021	11,802,567,409	1.3597	100.55%	101.64%	6-30-22
2022	15,936,554,513	1.3423	98.37%	98.74%	6-30-23
2023	17,979,418,993	1.1569	98.80%	98.39%	6-30-24
2024	19,500,186,046	1.1546	97.95%	98.59%	6-30-25
2025	19,224,982,972	1.1546	(in process of collection)		6-30-26

(1) Source: Hays Central Appraisal District, Caldwell County Appraisal Distirct, and Travis Central Appraisal District.
(2) Excludes penalties and interest.
(3) The Board of Trustees approved a change to the District's fiscal year from August 31 to June 30. Therefore, fiscal year 2018/19 reflects a 10-month period from September 1, 2018 to June 30, 2019. All subsequent years, beginning 2019/20, will reflect a 12-month fiscal year.

Table 6
TAX RATE DISTRIBUTION

	2025/26	2024/25	2023/24	2022/23	2021/22
Local Maintenance	$0.6669	$0.6669	$0.6692	$0.8546	$0.8720
Interest & Sinking	0.4877	0.4877	0.4877	0.4877	0.4877
Total	**$1.1546**	**$1.1546**	**$1.1569**	**$1.3423**	**$1.3597**

Source: District's audited financial statements and District's Records.

Table 7
VALUATION AND FUNDED DEBT HISTORY

Fiscal Year	Taxable Assessed Valuation	Percent Increase/ (Decrease) in TAV Over Prior Year	Principal Amount of Unlimited Tax Debt Outstanding at Year End	Ratio Debt to T.A.V.
2016/17	$ 6,186,616,983	19.23%	$435,245,000	7.04%
2017/18	6,825,171,269	10.32%	488,440,000	7.16%
2018/19	7,805,394,006	14.36%	470,875,000	6.03%
2019/20	8,904,188,541	14.08%	453,485,000	5.09%
2020/21	10,028,514,369	12.63%	532,810,000	5.31%
2021/22	11,802,567,409	17.69%	497,320,000	4.21%
2022/23	15,936,554,513	35.03%	916,140,000	5.75%
2023/24	17,979,418,993	12.82%	872,065,000	4.85%
2024/25	19,500,186,046	8.46%	1,274,510,000	6.54%
2025/26[1]	19,224,982,972	-1.41%	1,452,120,000	7.55%

Source: District's records.
(1) Includes the Bonds.

Table 8
HISTORICAL TOP TEN TAXPAYERS

PRINCIPAL TAXPAYERS AND THEIR 2025/26 TAXABLE ASSESSED VALUATIONS

Name of Taxpayer	Type of Property	Taxable Assessed Valuation	Percent of T.A.V.
MDH F3 Aus Kyle 35 LLC	Warehouse & Logistics	$ 118,151,055	0.61%
Pleasanton Housing Finance Corporation	Real Estate	101,922,692	0.53%
Texas Lehigh Cement Co.	Cement Plant	86,237,214	0.45%
SRPF C/Buda Industrial LP	Commercial Offices	73,116,868	0.38%
USEF Whisper LLC	Amazon Warehouse	72,671,720	0.38%
Simwon NA, Corp.	Manufacturing	68,900,295	0.36%
4000 Dacy Lane Investments LLC	Real Estate	57,745,855	0.30%
Amazon Com Services Inc	Amazon Warehouse	55,264,454	0.29%
CRP/AR Prose Buda Owner LP	Apartment Complex	54,265,722	0.28%
CFAN Co.	Manufacturing	52,350,429	0.27%
Total		**$ 740,626,304**	**3.85%**

Source: Hays Central Appraisal District, Caldwell County Appraisal District, and Travis Central Appraisal District reports.

PRINCIPAL TAXPAYERS AND THEIR 2024/25 TAXABLE ASSESSED VALUATIONS

Name of Taxpayer	Type of Property	Taxable Assessed Valuation	Percent of T.A.V.
Texas Lehigh Cement Co.	Cement Plant	$ 77,289,093	0.40%
Yarrington Logistics Owner	Warehouse	76,210,780	0.39%
SRPF C/Buda Industrial LP	Commercial Offices	75,357,666	0.39%
Simwon NA, Corp.	Manufacturing	73,444,358	0.38%
USEF Whisper LLC	Amazon Warehouse	70,151,482	0.36%
4000 Dacy Lane Investments LLC	Real Estate	62,226,860	0.32%
Amazon Com Services Inc	Amazon Warehouse	57,383,283	0.29%
Carrington Oaks LLC	Apartment Complex	54,592,933	0.28%
Plum Creek Apartments LLC	Apartment Complex	54,592,933	0.28%
Buda Acquisition LLC	Real Estate	51,248,306	0.26%
Total		**$ 652,497,694**	**3.35%**

Source: Hays Central Appraisal District, Caldwell County Appraisal District, and Travis Central Appraisal District reports.

PRINCIPAL TAXPAYERS AND THEIR 2023/24 TAXABLE ASSESSED VALUATIONS

Name of Taxpayer	Type of Property	Taxable Assessed Valuation	Percent of T.A.V.
Continental Homes of Texas	Real Estate	$ 83,795,197	0.47%
Yarrington Logistics Owner	Warehouse	74,253,669	0.41%
Texas Lehigh Cement Co.	Cement Plant	67,265,133	0.37%
USEF Whisper LLC	Amazon Warehouse	67,236,930	0.37%
Amazon Com Services Inc	Amazon Warehouse	67,121,452	0.37%
Simwon NA, Corp.	Manufacturing	57,932,053	0.32%
Plum Creek Apartments LLC	Apartment Complex	56,344,705	0.31%
IVT Kyle Marketplace	Commercial	52,594,184	0.29%
Buda Acquisition LLC	Real Estate	52,380,996	0.29%
Carrington Oaks LLC	Apartment Complex	49,874,257	0.28%
Total		**$ 628,798,576**	**3.50%**

Source: Hays Central Appraisal District, Caldwell County Appraisal District, and Travis Central Appraisal District reports.

Table 9
CLASSIFICATION OF ASSESSED VALUATION BY USE CATEGORY

	Total Tax Roll for Fiscal Year				
Property Use Category	**2025/26**	**2024/25**	**2023/24**	**2022/23**	**2021/22**
Real Property					
Single-Family Residential	$ 17,469,783,360	$ 16,799,446,863	$ 16,490,654,676	$ 14,041,291,499	$ 9,047,561,864
Multi-Family Residential	1,274,821,867	1,176,760,839	996,755,863	928,846,225	619,549,298
Vacant Lots/Tracts	659,963,681	621,136,655	764,597,189	529,905,283	352,429,598
Acreage (Land Only)	2,870,341,584	2,919,704,909	3,122,092,420	2,597,782,350	1,427,457,637
Farm and Ranch Improvements	1,011,106,118	1,010,732,922	953,338,379	853,915,425	501,938,960
Commercial and Industrial	2,855,823,811	2,680,147,550	2,187,791,615	1,818,083,656	1,366,215,971
Inventory	701,362,560	577,638,283	558,888,670	399,483,254	185,798,253
Tangible Personal Property					
Business	1,345,751,902	994,843,335	887,999,472	620,238,685	545,540,474
Other	146,991,940	129,019,933	155,135,509	153,962,695	76,371,559
Real & Tangible Personal Property					
Utilities	165,640,533	147,998,903	139,452,863	127,371,472	102,811,989
Total Real & Tangible Personal Property	**$ 28,501,587,356**	**$ 27,057,430,192**	**$ 26,256,706,656**	**$ 22,070,880,544**	**$ 14,225,675,603**
Less Exemptions					
Residential Homestead	$ 4,499,621,087	$ 2,983,377,798	$ 2,488,274,451	$ 925,723,800	$ 551,764,325
Homestead Cap Adjustment	496,097,782	1,044,268,486	2,239,381,545	2,252,440,688	149,482,169
	267,204,658	72,914,516	-	-	-
Over 65/Disabled Persons	454,559,710	73,662,237	64,507,675	63,453,578	59,021,636
Disabled/Deceased Veterans	337,271,425	328,646,780	229,100,879	207,936,666	172,147,830
Pollution Control	20,815,764	9,350,883	9,379,598	8,391,974	2,575,345
Productivity Loss/Other	3,199,464,118	3,044,170,766	3,246,252,256	2,672,084,875	1,487,887,783
Prorated Exempt Property	1,569,840	852,680	391,259	4,294,450	229,106
Total Exemptions	**$ 9,276,604,384**	**$ 7,557,244,146**	**$ 8,277,287,663**	**$ 6,134,326,031**	**$ 2,423,108,194**
Taxable Assessed Valuation	**$ 19,224,982,972**	**$ 19,500,186,046**	**$ 17,979,418,993**	**$ 15,936,554,513**	**$ 11,802,567,409**

Source: Hays Central Appraisal District, Caldwell County Appraisal District, Travis Central Appraisal District and State Property Tax Reports. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal Districts updates their records.

Table 10
PERCENTAGE TOTAL ASSESSED VALUATION BY CATEGORY

	Percent of Total Tax Roll for Fiscal Years				
Property Use Category	**2025/26**	**2024/25**	**2023/24**	**2022/23**	**2021/22**
Real Property					
Single-Family Residential	61.29%	62.09%	62.81%	63.62%	63.60%
Multi-Family Residential	4.47%	4.35%	3.80%	4.21%	4.36%
Vacant Lots/Tracts	2.32%	2.30%	2.91%	2.40%	2.48%
Acreage (Land Only)	10.07%	10.79%	11.89%	11.77%	10.03%
Farm and Ranch Improvements	3.55%	3.74%	3.63%	3.87%	3.53%
Commercial and Industrial	10.02%	9.91%	8.33%	8.24%	9.60%
Inventory	2.46%	2.13%	2.13%	1.81%	1.31%
Tangible Personal Property					
Business	4.72%	3.68%	3.38%	2.81%	3.83%
Other	0.52%	0.48%	0.59%	0.70%	0.54%
Real & Tangible Personal Property					
Utilities	0.58%	0.55%	0.53%	0.58%	0.72%
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Table 11
OUTSTANDING UNLIMITED TAX DEBT SERVICE

Fiscal Year Ending[1]	Current Debt Service[2]	The 2026A Bonds Principal	The 2026A Bonds Interest	The 2026A Bonds Debt Service	The 2026B Bonds Principal	The 2026B Bonds Interest	The 2026B Bonds Debt Service	Total Outstanding Debt Service
08/31/2026	$ 100,769,049							$ 100,769,049
08/31/2027	87,869,475	$ 1,055,000	$ 12,133,793	$ 13,188,793		$ 1,038,925	$ 1,038,925	102,097,194
08/31/2028	83,752,775	4,775,000	12,499,450	17,274,450	$ -	1,074,750	1,074,750	102,101,975
08/31/2029	86,881,050	1,885,000	12,260,700	14,145,700	-	1,074,750	1,074,750	102,101,500
08/31/2030	86,919,775	1,940,000	12,166,450	14,106,450	-	1,074,750	1,074,750	102,100,975
08/31/2031	86,946,462	2,010,000	12,069,450	14,079,450	-	1,074,750	1,074,750	102,100,662
08/31/2032	85,829,700	3,225,000	11,968,950	15,193,950	-	1,074,750	1,074,750	102,098,400
08/31/2033	85,140,884	-	11,807,700	11,807,700	4,010,000	1,074,750	5,084,750	102,033,334
08/31/2034	85,144,027	-	11,807,700	11,807,700	4,210,000	874,250	5,084,250	102,035,977
08/31/2035	85,151,429	-	11,807,700	11,807,700	4,420,000	663,750	5,083,750	102,042,879
08/31/2036	85,145,283	-	11,807,700	11,807,700	4,640,000	442,750	5,082,750	102,035,733
08/31/2037	83,557,648	2,310,000	11,807,700	14,117,700	4,215,000	210,750	4,425,750	102,101,098
08/31/2038	90,096,538	310,000	11,692,200	12,002,200	-	-	-	102,098,738
08/31/2039	83,280,063	7,145,000	11,676,700	18,821,700	-	-	-	102,101,763
08/31/2040	80,431,300	10,350,000	11,319,450	21,669,450	-	-	-	102,100,750
08/31/2041	80,420,050	10,880,000	10,801,950	21,681,950	-	-	-	102,102,000
08/31/2042	80,416,688	11,425,000	10,257,950	21,682,950	-	-	-	102,099,638
08/31/2043	71,846,675	10,025,000	9,686,700	19,711,700	-	-	-	91,558,375
08/31/2044	71,844,913	10,525,000	9,185,450	19,710,450	-	-	-	91,555,363
08/31/2045	71,848,825	11,050,000	8,659,200	19,709,200	-	-	-	91,558,025
08/31/2046	71,841,194	11,605,000	8,106,700	19,711,700	-	-	-	91,552,894
08/31/2047	66,264,625	12,185,000	7,526,450	19,711,450	-	-	-	85,976,075
08/31/2048	55,224,569	12,795,000	6,917,200	19,712,200	-	-	-	74,936,769
08/31/2049	35,531,769	13,435,000	6,277,450	19,712,450	-	-	-	55,244,219
08/31/2050	35,534,525	14,105,000	5,605,700	19,710,700	-	-	-	55,245,225
08/31/2051	35,533,781	14,810,000	4,900,450	19,710,450	-	-	-	55,244,231
08/31/2052	35,535,600	15,550,000	4,159,950	19,709,950	-	-	-	55,245,550
08/31/2053	35,530,913	16,330,000	3,382,450	19,712,450	-	-	-	55,243,363
08/31/2054	35,535,256	17,145,000	2,565,950	19,710,950	-	-	-	55,246,206
08/31/2055	35,533,906	18,000,000	1,708,700	19,708,700	-	-	-	55,242,606
08/31/2056	-	18,860,000	848,700	19,708,700	-	-	-	19,708,700
TOTAL	**$ 2,115,358,746**	**$ 253,730,000**	**$ 267,416,593**	**$ 521,146,593**	**$ 21,495,000**	**$ 9,678,925**	**$ 31,173,925**	**$ 2,667,679,265**

[1] Effective June 30, 2019, the District's Fiscal Year now ends on June 30; to reconcile with the State's fiscal year-end (and upon which State debt service assistance is paid), the numbers shown reflect the period ending August 31 to account for August 15 debt service payments.
[2] Net of the Refunded Bonds. Net of a portion of the District's Unlimited Tax School Building Bonds, Series 2018A which is anticipated to be defeased on August 25, 2026 in the amount of $1,230,000.

Table 12
AUTHORIZED BUT UNISSUED BONDS

Purpose	Date Authorized	Amount Authorized	Amount Previously Issued	Amount Being Issued	Unissued Balance
School Building and Security	May 3, 2025	$ 498,937,541	$ 313,429,593	$ 100,000,000 [1]	$ 85,507,948
School Facilities and Purchase of Land	May 3, 2025	396,063,095	99,015,774	162,500,000 [1]	134,547,321
Multi-Purpose Center	May 3, 2025	51,354,633	51,354,633	- [1]	-
Technology Improvements	May 3, 2025	16,200,000	16,200,000	- [1]	-

[1] Includes the Bonds and certain premium allocations.

Table 13
INTEREST & SINKING FUND BUDGET INFORMATION

Anticipated Tax Supported Debt Service Requirements, Fiscal Year Ending 8-31-26[1]		$ 100,769,049
Estimated Interest and Sinking Balance at 8-31-25 (unaudited)	19,845,425	
Estimated Additional State Aid for Homestead Exemption (ASAHE)	13,768,505	
Estimated Local Taxes	86,728,587	120,342,516
Projected Interest and Sinking Fund Balance at 8-31-26		$ 19,573,467

[1] Effective June 30, 2019, the District's Fiscal Year now ends on June 30; to reconcile with the State's fiscal year-end (and upon which State debt service assistance is paid), the numbers shown reflect the period ending August 31 to account for August 15 debt service payments. Includes the Bonds.

Table 14
TAX ADEQUACY

Estimated Maximum Principal and Interest Requirements, Fiscal Year 2025/26	$ 102,102,000
$0.55667 Tax Rate at 98% Collection Produces[1]	100,777,302

[1] Based upon District projections.

Table 15
LOANS PAYABLE

The District currently has no loans outstanding.

Table 16
LEASES

Capital Leases
As of June 30, 2025, the District had 51 active leases. The leases have payments that range from $937 to $30,595 for 24-month to 60-month terms and interest rates that range from 0.2850% to 3.1550%. As of June 30, 2025, the total combined value of the lease liability is $1,113,696, the total combined value of the short-term lease liability is $467,855.

Fiscal Year Ending	Total Outstanding Debt Service Principal	Interest	Debt Service
2026	$ 467,855	$ 28,713	$ 496,568
2027	266,584	16,576	283,160
2028	138,994	10,280	149,274
2029	141,412	5,897	147,309
2030	110,359	1,492	111,851
Total	1,125,204	62,958	1,188,162

Other Leases
The District has entered into a triple-net, 55-year Master Lease Agreement, dated April 23, 2026 (the "Master Lease") with PPDC Hays, LLC, a Texas limited liability company ("Landlord" and "Borrower"). Under the Master Lease, the Landlord has agreed to design, develop, and construct an approximately 362-unit Class A single-family build-to-rent essential housing community and related amenities, for the purpose of lessening the burdens of government and for the benefit of the District's teachers and staff (the "Project").

For the duration of the Master Lease, commencing March 1, 2028, the District is obligated to pay the Landlord base rent, payable on the first day of each calendar month during the term of the Lease. The District's payment obligation under the Master Lease is payable from its lawfully available current revenue, subject to annual appropriation, and is not payable from the District's I&S tax rate. Alternatively, the District's payment on the Bonds, as described within this Official Statement, is derived from the District's I&S tax, which is a continuing direct annual ad valorem tax levied by the District against all taxable property located within the District, without legal limit as to rate or amount.

The District's obligation to pay rent under the Master Lease is a commitment of the District's lawfully available current revenues only. Notwithstanding anything to the contrary in the Master Lease, the District is obligated to make payments only as approved each year by the District's Board. For each fiscal year during which rent will become due, the District's Superintendent of Schools is required under the Master Lease to include all payments of rent coming due for that fiscal year in the budget summary and overall budget totals. Rent payments are required to be submitted to the District's Board for consideration annually in accordance with the District's operating policies and procedures. However, nothing in the Master Lease obligates the District's Board, as it currently exists or may exist in the future, to approve or adopt a budget for any fiscal year that includes an allocation of funds for future rent coming due under the Master Lease. If the District fails to make the annual appropriation, then the Borrower's sole remedy is to terminate the Master Lease and repossess the Project, and the District shall not be liable to the Landlord for any money damages whatsoever arising out of the event of non-appropriation.

The obligation of the District to pay base rent under the Master Lease is further subject to the Landlord securing financing for the Project. The Landlord is expected to incur debt on August 10, 2026 via the issuance of bonds by the National Finance Authority.

On August 6, 2026, the District filed a material event notice on EMMA regarding the incurrence of a financial obligation (the "Material Event Notice") relating to the Master Lease.To review the Material Event Notice visit https://emma.msrb.org.

Source: District's audited financial statements and the District.

Table 17

GENERAL FUND BALANCE SHEET[1]

	Fiscal Years Ended				
	06/30/2025	**06/30/2024**	**06/30/2023**	**06/30/2022**	**06/30/2021**
Assets:					
Cash and Temporary Investments	$ 24,152,280	$ 21,213,510	$ 53,175,011	$ 58,072,995	$ 54,375,311
Property Taxes - Delinquent	4,368,601	5,029,953	3,470,089	3,101,246	2,830,484
Allowance for Uncollected Taxes	(1,018,124)	(1,025,175)	(819,737)	(691,414)	(634,100)
Due From Other Governments	26,153,146	24,801,713	6,437,456	17,309,314	21,870,397
Accrued Interest	-	-	-	-	-
Due From Other Funds	8,700,420	4,708,589	5,474,057	5,280,896	14,942,762
Other Receivables	69,626	154,332	127,689	650,929	1,172,049
Deferred/Prepaid Expenditures	4,168,338	4,558,097	4,562,463	5,490,008	5,059,267
Total Assets	**$ 66,594,287**	**$ 59,441,019**	**$ 72,427,028**	**$ 89,213,974**	**$ 99,616,170**
Liabilities and Fund Balances:					
Liabilities:					
Accounts Payable	$ 1,754,644	$ 1,839,305	$ 1,503,593	$ 2,171,661	$ 1,552,632
Payroll Deductions and Withholdings	2,145,885	2,637,646	1,398,725	891,989	277,311
Curriculum Accrued Wages Payable	25,978,417	18,707,883	18,200,403	16,405,544	15,141,091
Due to Other Funds	2,272,617	264,988	67,452	224,654	500,261
Due to Other Governments	5,709,132	11,143	47,608	10,101	4,879,203
Due to Student Groups	48,606	48,606	48,606	253,104	63,804
Deferred Revenues	198,734	482,110	842,823	2,647,583	3,989,448
Total Liabilities	**$ 38,108,035**	**$ 23,991,681**	**$ 22,109,210**	**$ 22,604,636**	**$ 26,403,750**
Deferred Inflows of Resources:					
Unavailable Revenue - Property Taxes	$ 3,350,477	$ 3,989,058	$ 2,559,470	$ 1,792,140	$ 1,457,543
Unavailable Revenue - SHARS	-	-	-	-	-
Total Deferred Inflows	$ 3,350,477	$ 3,989,058	$ 2,559,470	$ 1,792,140	$ 1,457,543
Fund Balances:					
Restricted/Committed/Assigned	$ 4,237,964	$ 11,539,242	$ 21,841,969	$ 17,614,193	$ 13,241,665
Unassigned	20,897,811	19,921,038	25,916,379	47,203,005	58,513,212
Total Fund Balances	$ 25,135,775	$ 31,460,280	$ 47,758,348	$ 64,817,198	$ 71,754,877
Total Liabilities, Deferred Inflows of Resources and Fund Balances:	**$ 66,594,287**	**$ 59,441,019**	**$ 72,427,028**	**$ 89,213,974**	**$ 99,616,170**

[1] Source: District's audited financial statements.

Table 18

COMPARATIVE STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES[1]

	Fiscal Years Ended				
	06/30/2025	06/30/2024	06/30/2023	06/30/2022	06/30/2021
Beginning Fund Balance	**$ 31,460,280**	**$ 47,758,348**	**$ 64,817,198**	**$ 71,754,877**	**$ 67,498,612**
Revenues:					
Local and Intermediate Sources	$ 129,421,587	$ 113,383,444	$ 134,825,896	$ 104,243,976	$ 91,200,108
State Sources	118,304,810	110,758,047	67,622,803	90,926,447	94,197,640
Federal Sources	1,628,586	3,946,172	5,955,692	6,680,163	2,545,354
Total Revenues	**$ 249,354,983**	**$ 228,087,663**	**$ 208,404,391**	**$ 201,850,586**	**$ 187,943,102**
Expenditures:					
Instruction	$ 155,790,970	$ 143,804,786	$ 130,411,524	$ 120,906,874	$ 104,974,201
Instructional Resources & Media Services	3,334,915	3,137,283	2,908,408	2,715,669	2,591,845
Curriculum & Staff Development	1,820,112	4,424,384	2,005,996	2,209,925	1,290,009
Instructional Leadership	5,341,009	6,051,427	6,137,630	5,344,913	4,436,802
School Leadership	14,600,453	14,100,183	13,871,554	12,412,247	11,839,064
Guidance, Counseling & Evaluation Services	8,288,245	7,915,711	7,383,186	6,458,302	6,143,728
Social Work Services	601,064	451,124	324,636	283,244	263,035
Health Services	2,843,484	2,616,472	2,476,941	2,287,190	2,254,381
Student (Pupil) Transportation	12,820,504	12,512,534	12,456,708	11,233,870	9,811,453
Food Services	-	-	-	-	-
Co-Curricular/Extracurricular Activities	7,018,215	7,459,890	7,607,325	7,653,098	5,721,852
General Administration	6,359,007	6,804,955	6,624,622	5,479,758	4,871,389
Plant Maintenance and Operations	25,044,255	23,278,131	23,227,794	22,338,002	20,567,597
Security and Monitoring Services	3,770,451	3,270,848	3,128,882	2,569,151	2,075,379
Data Processing Services	5,106,752	6,481,817	6,380,411	5,130,429	5,117,471
Community Services	2,225,232	332,181	333,489	387,338	246,614
Debt Service	782,710	1,032,095	768,082	277,144	-
Facilities Acquisition & Construction	-	-	-	3,229	300,342
Payments Related to Shared Services Arrangemer	131,264	-	87,559	227,172	302,405
Intergovernmental Charges	1,628,436	1,445,960	1,283,053	1,046,588	953,842
Total Expenditures	**$ 257,507,078**	**$ 245,119,781**	**$ 227,417,800**	**$ 208,964,143**	**$ 183,761,409**
Other Resources and (Uses):					
Other Resources	$ 1,827,590	$ 734,050	$ 1,954,559	$ 175,878	$ 74,572
Other Uses	-	-	-	-	-
Total Other Resources and (Uses)	$ 1,827,590	$ 734,050	$ 1,954,559	$ 175,878	$ 74,572
Excess (Deficiency) of Revenues & Other Sources over Expenditures and Other uses:	$ (6,324,505)	$ (16,298,068)	$ (17,058,850)	$ (6,937,679)	$ 4,256,265
Prior Period Adjustment:	$ -	$ -	$ -	$ -	$ -
Ending Fund Balance:[2]	**$ 25,135,775**	**$ 31,460,280**	**$ 47,758,348**	**$ 64,817,198**	**$ 71,754,877**

(1) Source: District's audited financial statements.
(2) Ending Fund Balance includes Non-Spendable, Restricted, Committed, Assigned and Unassigned Fund Balance.
Note: The District's unaudited General Fund balance for the Fiscal Year Ended June 30, 2026 is approximately $25,000,000.

Table 19
CHANGE IN NET POSITION[1][2]

Revenues:	**06/30/2025**	**06/30/2024**	**06/30/2023**	**06/30/2022**	**06/30/2021**
	Fiscal Year Ending[3]				
Program Revenues					
Charges for Services	$ 10,008,970	$ 5,603,832	$ 5,788,117	$ 2,957,928	$ 1,517,232
Operating Grants and Contributions	49,303,541	55,953,679	36,037,006	33,883,627	42,416,544
Total Program Revenues	$ 59,312,511	$ 61,557,511	$ 41,825,123	$ 36,841,555	$ 43,933,776
General Revenues					
Maintenance & Operations Taxes	$ 121,099,382	$ 111,203,477	$ 131,002,666	$ 100,308,486	$ 88,128,431
Debt Service Taxes	88,499,944	81,153,823	74,737,781	56,035,401	48,377,199
Grants and Contributions - Not Restricted	105,505,371	98,102,815	57,496,718	81,277,805	84,600,303
Investment Earnings	3,803,286	3,454,503	11,618,190	459,754	195,111
Miscellaneous	615,204	6,147	150,562	2,671,945	1,767,821
Special Item	590,770	-	-	-	-
Total General Revenues	$ 320,113,957	$ 293,920,765	$ 275,005,917	$ 240,753,391	$ 223,068,865
Total Revenues	**$ 379,426,468**	**$ 355,478,276**	**$ 316,831,040**	**$ 277,594,946**	**$ 267,002,641**
Expenses:					
Instruction	$ 180,198,927	$ 168,098,860	$ 152,082,052	$ 131,600,322	$ 140,143,525
Instructional Resources and Media Services	3,932,999	3,499,228	3,350,787	2,813,273	3,163,537
Curriculum and Instructional Staff Development	4,370,754	6,529,942	6,522,089	3,092,137	2,150,436
Instructional Leadership	5,517,091	6,354,323	6,130,056	5,200,515	5,377,485
School Leadership	15,524,039	15,249,216	14,306,373	12,163,079	13,627,153
Guidance, Counseling and Evaluation Services	9,127,652	8,822,720	7,986,909	6,784,246	7,573,322
Social Work Services	1,309,642	1,338,409	1,368,780	305,493	274,529
Health Services	3,000,666	2,821,646	2,644,240	2,483,542	2,561,082
Student (Pupil) Transportation	15,250,491	14,156,810	13,242,768	11,917,433	11,465,368
Food Services	13,584,595	12,060,323	10,735,375	10,605,565	7,565,576
Co-curricular/Extracurricular Activities	7,913,190	8,221,972	7,878,268	6,749,921	6,267,691
General Adminstration	6,513,242	6,950,072	6,382,138	5,038,716	5,181,293
Plant Maintenance and Operations	28,667,986	27,177,918	24,354,768	26,147,270	22,382,830
Security and Monitoring Services	4,994,712	3,592,247	3,339,373	2,626,833	2,401,413
Data Processing Services	8,242,320	7,497,464	6,645,576	5,173,524	5,705,460
Community Services	2,245,888	416,431	392,157	339,972	366,375
Debt Services	36,224,672	36,087,464	20,776,989	15,529,047	13,848,792
Payments Related to Shared Service Agreements	623,689	605,282	687,858	516,753	587,331
Intergovernmental Charges	1,628,436	1,445,960	1,283,053	1,046,588	953,842
Capital Outlay	-	-	-	-	1,059,159
Total Expenses	**$ 348,870,991**	**$ 330,926,287**	**$ 290,109,609**	**$ 250,134,229**	**$ 252,656,199**
Increase/(Decrease) In Net Position	$ 30,555,477	$ 24,551,989	$ 26,721,431	$ 27,460,717	$ 14,346,442
Net Position, Beginning	$ 54,355,014	$ 29,803,025	$ 3,081,594	$ (24,379,123)	$ (38,734,917)
Prior Period Adjustment	(3,883,420)	-	-	-	9,352
Net Position, Ending	**$ 81,027,071**	**$ 54,355,014**	**$ 29,803,025**	**$ 3,081,594**	**$ (24,379,123)**

[1] Audited financial operations for all governmental activities in accordance with GASB Statement No. 34.
[2] Source: District's audited financial statements.
[3] Negative ending position is primarily the result of changes in the District's reporting of its net pension liabilities as required by GASB 75. Please see note 19 in the District's audited financial statements for the Fiscal Year Ended August 31, 2017 for additional information.

APPENDIX B

GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY

GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY

Hays Consolidated Independent School District (the "District") was formed on May 6, 1967, through the consolidation of Kyle Independent School District, Buda County-Line Independent School District and Wimberley Rural High School District. The District comprises 217.21 square miles of land, or approximately half the total area of Hays County, with small portions extending into Travis and Caldwell Counties. The District includes the cities of Kyle and Buda, both of which are located within Hays County. The Cities of Kyle and Buda are located on Interstate Highway 35 between Austin and San Marcos. The District also includes the cities of Hays, Uhland, Niederwald and Driftwood.

The District is governed by a seven member Board of Trustees (the "Board"). The Trustees serve three-year staggered terms with elections being held in May of every year. At large elections are based on when the member's terms expire. Board policy and decisions are decided by a majority vote of the Board. The Superintendent of Schools is selected by the Board; other District officials are employed as a result of action by the Superintendent and the Board.

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

Impact Center (discipline campus)	1
Elementary Schools	15
Middle Schools	6
High Schools	4
Total	**26**

DISTRICT ENROLLMENT INFORMATION

Scholastic Enrollment History

Year	Enrollment	Increase/(Decrease)	Percent Change
2016/17	19,215	565	3.03%
2017/18	19,862	647	3.38%
2018/19	19,925	63	0.32%
2019/20	20,793	868	4.36%
2020/21	20,322	(471)	(2.27%)
2021/22	21,405	1,083	5.33%
2022/23	22,297	892	4.17%
2023/24	23,313	1,016	4.56%
2024/25	24,330	1,017	4.36%
2025/26	25,049	719	2.96%

Source: District Records.

School Enrollment by School Type

Year	Elementary Schools (Grades EE-5)	Middle Schools (Grades 6-8)	High Schools (Grades 9-12)	Total Enrollment
2016/17	9,306	4,473	5,436	19,215
2017/18	9,601	4,592	5,669	19,862
2018/19	9,350	4,720	5,855	19,925
2019/20	9,829	4,902	6,062	20,793
2020/21	9,169	4,779	6,374	20,322
2021/22	9,733	4,933	6,739	21,405
2022/23	10,185	4,980	7,132	22,297
2023/24	10,838	5,123	7,352	23,313
2024/25	11,410	5,379	7,541	24,330
2025/26	11,722	5,597	7,730	25,049

Source: District Records.

School Enrollment by Grades

Year	EE/PK	K	1	2	3	4	5	6	7	8	9	10	11	12	Total
2016/17	637	1,349	1,363	1,446	1,517	1,489	1,505	1,512	1,486	1,475	1,579	1,463	1,249	1,145	19,215
2017/18	681	1,411	1,473	1,417	1,458	1,593	1,568	1,520	1,552	1,520	1,643	1,511	1,311	1,204	19,862
2018/19	632	1,310	1,365	1,405	1,445	1,532	1,661	1,512	1,600	1,608	1,642	1,619	1,316	1,278	19,925
2019/20	890	1,450	1,431	1,432	1,462	1,549	1,615	1,660	1,592	1,650	1,812	1,552	1,449	1,249	20,793
2020/21	607	1,402	1,411	1,404	1,374	1,466	1,505	1,562	1,634	1,583	1,791	1,801	1,481	1,301	20,322
2021/22	754	1,482	1,534	1,499	1,478	1,451	1,535	1,556	1,637	1,740	2,048	1,760	1,596	1,335	21,405
2022/23	955	1,386	1,556	1,607	1,575	1,582	1,524	1,644	1,632	1,704	2,043	1,820	1,689	1,580	22,297
2023/24	989	1,612	1,529	1,630	1,730	1,668	1,680	1,667	1,734	1,722	1,991	1,965	1,737	1,659	23,313
2024/25	1,066	1,563	1,742	1,651	1,758	1,824	1,806	1,814	1,753	1,812	1,981	2,015	1,862	1,683	24,330
2025/26	1,139	1,644	1,637	1,826	1,736	1,837	1,903	1,905	1,890	1,802	1,958	2,020	1,881	1,871	25,049

Source: District Records.

PRESENT SCHOOL FACILITIES

Location	Grades Served	2025/26 Enrollment
Live Oak Academy	9 - 12	172
Hays High School	9 - 12	2,322
Johnson High School	9 - 12	2,974
Lehman High School	9 - 12	2,177
High School Total		**7,645**
Barton Middle School	6 – 8	1,006
Chapa Middle School	6 – 8	769
Dahlstrom Middle School	6 – 8	778
McCormick Middle School	6 – 8	1,272
Simon Middle School	6 – 8	875
Wallace Middle School	6 – 8	871
Middle School Total		**5,571**
Blanco Vista Elementary School	K – 5	766
Buda Elementary School	EE – 5	608
Camino Real Elementary School	K – 5	786
Carpenter Hill Elementary School	K – 5	520
Elm Grove Elementary School	K – 5	646
Fuentes Elementary School	EE – 5	487
Hemphill Elementary School	EE – 5	646
Jim Cullen Elementary School	PK – 5	498
Kyle Elementary School	EE – 5	650
Negley Elementary School	EE – 5	819
Pfluger Elementary School	K – 5	826
Range Elementary School	EE – 5	701
Science Hall Elementary School	K – 5	666
Sunfield Elementary School	K – 5	964
Tom Green Elementary School	PK – 5	618
Tobias Elementary School	K – 5	744
Uhland Elementary School	K – 5	776
Elementary School Total		**11,721**
Impact Center (DAEP)	6 - 12	112
Other Programs Total		**112**
Total		**25,049**

GENERAL ECONOMIC INFORMATION REGARDING HAYS COUNTY

Location

Created in 1843, Hays County (the "County") is located in south central Texas, and is a component of the Austin Metropolitan Statistical Area. Hays County is traversed by Interstate Highway 35, US Highway 290, State Highways 21 and 123 and ten farm-to-market roads with the City of San Marcos as the county seat. The 2020 census was 241,067, increasing 83,960 or 53.44% since 2010.

Business and Industry

The District covers land which is considered ranching and recreational area. Residential and resort development has been increasing in northern parts of the District. The District is centered over the City of Kyle, a local retail and shipping center, with a 2020 census population of 45,697, increasing 17,681 or 63.11% since 2010. Kyle is 15 miles south of the Austin downtown area and 7 miles north of San Marcos. The City of Buda is a slightly smaller farming community with a concentration of retail on the land located on either side of Interstate Highway 35, with a 2020 census population of 15,108, increasing 7,813 or 107.10% since 2010. Buda is 12 miles south of downtown Austin and 12 miles north of San Marcos.

The County is diversified by tourism, education, agriculture and manufacturing. Kyle, Buda, and San Marcos are located within what has become known as the "Austin/San Antonio Corridor" along Interstate Highway 35. Austin and San Antonio are two anchors of a region which includes over 2 million people. The Austin/San Antonio Corridor is the third most populous area in Texas and the State's third largest area of economic activity.

The County is rapidly changing from rural to urban. Even though agriculture remains important, retail and manufacturing activities are expanding. One of the largest factory outlet malls in the nation is located in San Marcos and generates several million dollars in sales tax for the surrounding communities. Tourism has been one of the County's most productive industries.

Labor Force Statistics

Comparative Unemployment Rates

	2026[(1)]	2025	2024	2023	2022
Hays County	3.6%	3.4%	3.4%	3.3%	3.0%
State of Texas	4.3	4.2	4.1	4.0	3.9
United States of America	4.1	4.3	4.0	3.6	3.6

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

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APPENDIX C

AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2025

Hays Consolidated Independent School District

Kyle, Texas

Annual Comprehensive Financial Report

For the fiscal year ended
June 30, 2025

Hays Consolidated Independent School District
Kyle, Texas

Annual Comprehensive Financial Report
For the Fiscal Year Ended
June 30, 2025

Prepared by

Hays CISD Business & Finance Division
Deborah Ottmers, CPA

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HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2025

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INTRODUCTORY SECTION

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21003 N IH 35, Kyle, Texas 78640
Phone (512) 268-2141
Fax (512) 268-2147

December 8, 2025

Byron Severance, President
Board of Trustees
Hays Consolidated Independent School District
21003 N IH 35
Kyle, TX 78640

Dear Citizens, Mr. Severance and Members of the Board:

The Texas Education Code requires that all school districts file a set of financial statements with the Texas Education Agency (TEA) within 150 days of the close of each fiscal year. For this year, TEA has provided an extended submission deadline of February 27, 2026, for districts with a June 30 fiscal year end. The financial statements must be presented in conformity with generally accepted accounting principles (GAAP) and audited by a firm of licensed certified public accountants in accordance with generally accepted auditing standards (GAAS). Pursuant to the requirement, we hereby issue the Annual Comprehensive Financial Report (ACFR) of the Hays Consolidated Independent School District (the District or Hays CISD) for the twelve-month period ended June 30, 2025. The District's Business & Finance Department prepares the report for which the District has been presented with the Certificate of Achievement for Excellence in Financial Reporting awarded to government entities by the Government Finance Officers Association (GFOA) for the 2023-2024 Annual Comprehensive Financial Report. The District believes the current Annual Comprehensive Financial Report continues to meet the requirements for this award, and we will again submit the report for review. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

The Annual Comprehensive Financial Report is presented in four sections: Introductory, Financial, Statistical and Federal Awards. The Introductory section includes this transmittal letter, the District's organizational chart and a list of principal officials. The management's discussion and analysis in the Financial section provides an overview of the financial position and results of operations for the year. The Financial section also includes the auditors' report, the basic financial statements, including the Government Wide Financial Statements and the Governmental Fund Financial Statements, the combining schedules and required supplementary information. The Statistical section includes selected financial and demographic information, generally presented on a multi-year basis. The Federal Awards section includes the schedule of federal awards, auditors' reports and the schedule of findings for both current and prior years.

This report consists of management's representations concerning the finances of the District. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. In order to provide a reasonable basis for making these representations, management of the District has established a comprehensive internal control framework that is designed to protect the District's assets from loss, theft or misuse. Additionally, the internal control framework is designed to compile sufficient reliable information for the preparation of the District's financial statements in conformity with GAAP. Because the costs of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable assurance rather than absolute assurance that the financial statements will be free from material misstatement.

To the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

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

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

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors.

The District and Its Services

Hays Consolidated Independent School District was formed on May 6, 1967, through the consolidation of Kyle Independent School District, Buda County-Line Independent School District and Wimberley Rural High School District. The Wimberley School District withdrew from the consolidation in September 1986 and created Wimberley Independent School District. The District comprises 212 square miles of land, or approximately half of the total area of Hays County, with small portions extending into Travis and Caldwell Counties. The District includes the cities of Kyle and Buda, both of which are located within Hays County on Interstate Highway 35 between Austin and San Marcos. The District also includes the cities of Hays, Uhland, Niederwald, Driftwood, and a portion of San Marcos.

The District is governed by a seven member Board of Trustees (the Board). The Trustees serve three-year staggered terms with elections being held every year. Monthly meetings of the Board are posted and advertised as prescribed under state law so that the Board may fulfill its charge to the students, parents, staff, and taxpayers of the District. Special meetings or study sessions are scheduled as needed. The Board has final control over all school matters except as limited by state law.

The Board meets annually to set goals for the District. The goals are both long-term and short-term in an effort to focus resources and efforts on specific areas, as well as set high standards for the students and staff of the District. They are reviewed and revised by the Board periodically.

Mission Statement (adopted 8/26/24 and upheld in January 2025)- Hays CISD makes it 100% possible. *(Knowledge spurs inspiration, which sparks dreams that lead to success.)*

Vision Statement (adopted 08/26/2024 and upheld in January 2025) - All Hays CISD learners will be:

- well prepared for college, career, or military;
- responsible citizens;
- effective communicators and collaborators; and
- resourceful and creative problem solvers.

Beliefs (adopted 08/26/2024 and upheld in January 2025)- We believe we:

- are 100% committed to excellence, success, and safety.
- want all students to be excited, engaged, and inspired.
- want all families to feel welcome, included, and supported.
- want all teachers and employees empowered to make a difference.
- want all community members, taxpayers, and business partners to be involved, informed, and invested in student achievement.

Board and Superintendent Goals for 2024-2025 (adopted August 26, 2024)

Student Achievement Goal: Through attention to individual students' needs, each campus will demonstrate continuous improvement by showing academic growth and student engagement by providing targeted intervention, enrichment opportunities, and accelerating advanced academics. The district will evaluate and address the individual needs of each student. Student performances will be evaluated in academics; college, career, and military readiness; and character power skills education.

Safety & Security Goal: A safe environment must include secure facilities, staff and student training, and our adopted standard response protocol. The district will partner with local, state, and federal entities to assure preparedness related to School Safety and Security. Safety and security requires commitment by everyone in our district and community.

Community Relations Goal: The district will foster a welcoming culture of positive engagement and public service. Our district is committed to customer service with timely and effective communication.

Finance Goal: The district will work to reduce the fiscal year 2025 deficit, working towards a balanced budget for fiscal year 2026.

The District provides a well-rounded program of public education for children from pre-kindergarten through grade twelve. In addition to basic instructional programs, the District offers special education, gifted and talented, Bilingual/ESL, intervention, college preparatory, and career and technical programs. The District is fully accredited by the Texas Education Agency (TEA).

Hays CISD operates sixteen elementary schools, six middle schools, three comprehensive high schools, one alternative education program high school, and one disciplinary alternative education program campus. The District's 2024-25 enrollment for budget purposes was 24,619. Actual enrollment for 2024-2025 was 24,337 at PEIMS snapshot (October 31, 2024). Average Daily Attendance calculated at 22,040 for 2024-2025 with a 93.229% attendance rate.

Economic Information

Hays County, created in 1848, is located in south central Texas. Hays is a populous suburban county in the Austin metropolitan area with a 2020 census population of 241,061 people with an estimated growth rate of approximately 3.9%. The population is estimated at 292,029 in 2024 and 303,252 in 2025, making it one of the fastest growing counties in United States. The major cities in the County are Buda, Kyle and San Marcos (county seat). The County is traversed by Interstate Highway 35, U.S. Highway 290, State Highways 21, 123, and State Highway 130, a commuter roadway on the outskirts of the County to relieve congestion on IH 35 extending from north of Georgetown, east of metropolitan Austin, to I-10 near Seguin.

The Hays Consolidated Independent School District (Hays CISD) covers land in Hays County once used primarily for ranching and recreation. Hays CISD is located in and around the cities of Buda & Kyle which is located within what has become known as the Austin/San Antonio Corridor along Interstate Highway 35. Austin and San Antonio are two anchors of a region which includes several million people. The County is diversified by tourism, education, agriculture, retail, healthcare including two major hospitals, and manufacturing. Residents in Hays CISD have easy access to higher education including the University of Texas, Texas State University, St. Edward's University and Austin Community College.

The District's population has grown to an estimated 121,008 in 2024-25, up from the 2020 census number of 113,553, making it one of the fastest growing school districts in Texas. Residential and retail development has steadily increased in the last five years. Recent home sales continue to rise in the area as new home construction continues to take place. Future projected occupancies for housing in the District are estimated at 63,452 by October 2033.

Report Information

The Annual Comprehensive Financial Report is prepared in accordance with generally accepted accounting principles (GAAP) and in conformance with standards of financial reporting established by the Governmental Accounting Standards Board (GASB) using guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA). All funds of the District are covered by this report. The District's financial policies address accounting and fiscal operations of the district, with an emphasis on asset, procurement, and budget management.

The District maintains budgetary controls, and the objective is to ensure compliance with legal provisions embodied in the annual budget approved by the District's Board. The annual expenditure budget serves as the foundation for the District's financial planning and control. Every school district in Texas is required, by law, to prepare and file a budget with the Texas Education Agency (TEA). The board legally adopts a budget for the General Fund, Debt Service Fund, and Child Nutrition Fund. Budgets for Special Revenue Funds (other than Child Nutrition) and Capital Projects Funds are prepared on a project basis, based on grant regulations or applicable bond ordinances.

Budgetary control (the level at which expenditures cannot legally exceed appropriations) is mandated at the functional category level within each fund. These functional categories are defined by TEA and identify the purpose of transactions. The District also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year end unless specifically identified for rollover into the next fiscal year.

Long-Term Financial Planning

The District is operating under the sixth year of House Bill 3 (HB 3) for the 2024-25 school year. HB3 was a historic school finance bill passed by the 86th Texas Legislature in 2019. The intent of the bill was to provide more money for Texas classrooms, increase teacher compensation, reduce recapture and cut local property taxes for Texas taxpayers. The bill made major revisions to the school finance formulas; added and repealed several chapters of the Education Code; and revised, removed and created multiple allotments or programs.

Since the Texas Legislature meets every two years to approve education funding, school districts are unable to accurately predict what mandates or funding changes will be implemented over the long-term. The District has accumulated unassigned fund balance to prepare for uncertainties in future student enrollment growth, property values, and funding reductions. The General Fund fund balance has been eroding over the last six years since the state has provided very little funding increases, yet inflation approximates 25% for that same time period.

The District's 2025-26 original adopted budget for the required funds of the General Fund, the Child Nutrition Fund, and the Debt Service Fund was $377,502,115. This represents a $35,197,198 (10.28%) increase over the 2024-25 original adopted budget.

The 2025-2026 original adopted budget included funding for:

- additional teachers/staff to accommodate growth and program enhancements.
- compensation increases of approximately 8% for teachers as prescribed by state law
- increased debt service payments

Acknowledgements

The preparation of this report could not have been accomplished without the efficient and dedicated efforts of the entire staff of the Business & Finance Department. We would like to express our sincere appreciation to all members of the departments and surrounding entities who assisted and contributed to the preparation of this report. We would also like to express appreciation to the Board of Trustees for their interest and support in the financial operations of the District. Finally, we would like to thank the residents of the District for their support of, and belief in, our public schools, and principals and teachers who provide the quality education for which the District has become known.

Respectfully submitted,

Deborah Pulis Ottmers

Deborah Pulis Ottmers, Chief Financial Officer

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Hays Consolidated Independent School District
Texas

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morrill

Executive Director/CEO

Hays Consolidated Independent School District

ORGANIZATIONAL CHART

Senior Leadership

Hays CISD Community

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District 1


Johnny Flores
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District 2


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District 5


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Standing and Special Purpose Advisory Committees: Citizens, Teachers, Staff, Business Partners, and Students.

Superintendent of Schools

Dr. Eric Wright

Board and Superintendent Executive Assistance

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HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

School Board and Administrators

Board of Trustees

Administration

CERTIFICATE OF BOARD

Hays Consolidated Independent School District	Hays	105906
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 5th day of December 2025.

______________________________	______________________________
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)

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FINANCIAL SECTION

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

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Hays Consolidated Independent School District
Kyle, Texas

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Emphasis of Matter – Change in Accounting Principle

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hays Consolidated Independent School District's basic financial statements. The combining statements, required TEA schedules, and the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements, required TEA schedules, and the Schedule of Expenditures of Federal Awards, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information included in the Annual Comprehensive Financial Report

Management is responsible for the other information included in the annual comprehensive financial report (ACFR). The other information comprises the introductory section and statistical section 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 5, 2025 on our consideration of Hays Consolidated Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 Hays Consolidated Independent School District's internal control over financial reporting and compliance.

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

Waco, Texas
December 5, 2025

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As Management of the Hays Consolidated 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 year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $81,027,071 (net position).

- The District's net position increased by $26,081,287 during the current fiscal year.

- At the end of the current fiscal year, unassigned fund balance for the General Fund was $20,897,811, which represents 8.2% (roughly 1 month) of total fiscal year 2025 General Fund expenditures.

The District has been a fast-growth district for over fourteen years. The District anticipates adding 9,677 students over the next five years.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components:

- Government-wide financial statements,
- Fund financial statements, and
- Notes to the financial statements.

This report also contains other required supplementary information in addition to the basic financial statements themselves.

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

The *statement of net position* presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The statement of activities presents information showing how the District's net position changed during the year ended June 30, 2025. 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. Thus revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g. uncollected taxes).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District are designed to educate and benefit the children of the community. Functional codes for Texas school districts are uniform throughout the state. They include instruction and instructional-related services, instructional and school leadership, support services for students, administrative support services, non-student based support services, ancillary services, debt service and capital outlay for facilities and construction.

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

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

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

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

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

The District maintains individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, and Capital Projects Fund, as they are considered to be major funds. Data from the other individual governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

Proprietary Funds. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. There are two proprietary fund types. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses an Enterprise Fund for childcare operations. The childcare fund is closed as of June 30, 2025.

The second type of proprietary fund is the Internal Service Fund. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the various functions. The Internal Service Funds is no longer being utilized and was closed as of June 30, 2025.

Fiduciary Funds. *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District is the trustee, or fiduciary, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purpose. 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

These activities are excluded from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

Notes to the Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the District's pension and OPEB plans.

Government-wide Overall Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, total assets and deferred outflows of resources exceeded total liabilities and deferred inflows of resources by $81,027,071 for the year ended June 30, 2025. The District's total net position increased $26,081,287 from the prior year. The District's financial position has improved with an increase in capital assets. The overall financial status of the District is stable, however, the financial outlook for all Texas school districts is uncertain beyond the current biennium.

TABLE 1

NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Current and other assets	$ 307,931,375	$ 486,486,633	$ -	$ 590,770	$ 307,931,375	$ 487,077,403
Capital assets	868,267,827	717,456,969	-	-	868,267,827	717,456,969
Total assets	1,176,199,202	1,203,943,602	-	590,770	1,176,199,202	1,204,534,372
Total deferred outflows of resources	55,277,214	69,358,447	-	-	55,277,214	69,358,447
Long-term liabilities	1,031,972,013	1,082,872,067	-	-	1,031,972,013	1,082,872,067
Other liabilities	74,692,649	78,304,316	-	-	74,692,649	78,304,316
Total liabilities	1,106,664,662	1,161,176,383	-	-	1,106,664,662	1,161,176,383
Total deferred inflows of resources	43,784,683	57,770,652	-	-	43,784,683	57,770,652
Net position:						
Net investment in capital assets	151,420,440	110,379,903	-	-	151,420,440	110,379,903
Restricted	37,365,339	35,783,118	-	-	37,365,339	35,783,118
Unrestricted	(107,758,708)	(91,808,007)	-	590,770	(107,758,708)	(91,217,237)
Total net position	$ 81,027,071	$ 54,355,014	$ -	$ 590,770	$ 81,027,071	$ 54,945,784

A portion of the District's net position reflects its investment in capital assets (e.g. land, buildings, furniture, and equipment) less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's 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 capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the District's net position represents resources that are subject to external restrictions on how they may be used (e.g. debt service). This surplus is not an indication that the District has significant resources available to meet financial obligations next year, but rather the result of having long-term commitments that are less than currently available resources.

Governmental activities. Program and general revenues for the current fiscal year totaled $379,426,468 a 6.7% increase from the prior year. Expenses for the current fiscal year totaled $348,870,991 which is a decrease of 5.4% from the prior year. The increase in governmental net position is primarily due to strong tax collections, state funding, and increased interest earnings.

Key elements of the increase or decrease are shown in the following table:

TABLE 2
CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
REVENUES						
Program revenues:						
Charges for services	$ 10,008,970	$ 5,603,832	$ -	$ 1,814,599	$ 10,008,970	$ 7,418,431
Operating grants and contributions	38,988,078	43,309,193	-	69,014	38,988,078	43,378,207
Capital grants and contributions	10,315,463	12,644,486	-	-	10,315,463	12,644,486
General revenues:						
Maintenance and operations taxes	121,099,382	111,203,477	-	-	121,099,382	111,203,477
Debt service taxes	88,499,944	81,153,823	-	-	88,499,944	81,153,823
Grants and contributions not restricted	105,505,371	98,102,815	-	-	105,505,371	98,102,815
Investment earnings	3,803,286	3,454,503	-	-	3,803,286	3,454,503
Miscellaneous	615,204	6,147	-	-	615,204	6,147
Transfers	590,770	-	(590,770)	-	-	-
Total revenues	379,426,468	355,478,276	(590,770)	1,883,613	378,835,698	357,361,889
EXPENSES						
Instruction	180,198,927	168,098,860	-	-	180,198,927	168,098,860
Instructional resources and media services	3,932,999	3,499,228	-	-	3,932,999	3,499,228
Curriculum and instructional staff development	4,370,754	6,529,942	-	-	4,370,754	6,529,942
Instructional leadership	5,517,091	6,354,323	-	-	5,517,091	6,354,323
School leadership	15,524,039	15,249,216	-	-	15,524,039	15,249,216
Guidance, counseling and evaluation services	9,127,652	8,822,720	-	-	9,127,652	8,822,720
Social work services	1,309,642	1,338,409	-	-	1,309,642	1,338,409
Health services	3,000,666	2,821,646	-	-	3,000,666	2,821,646
Student (pupil) transportation	15,250,491	14,156,810	-	-	15,250,491	14,156,810
Food services	13,584,595	12,060,323	-	-	13,584,595	12,060,323
Co-curricular/extra curricular activities	7,913,190	8,221,972	-	-	7,913,190	8,221,972
General administration	6,513,242	6,950,072	-	-	6,513,242	6,950,072
Plant maintenance and operations	28,667,986	27,177,918	-	-	28,667,986	27,177,918
Security and monitoring services	4,994,712	3,592,247	-	-	4,994,712	3,592,247
Data processing services	8,242,320	7,497,464	-	-	8,242,320	7,497,464
Community services	2,245,888	416,431	-	-	2,245,888	416,431
Debt service - interest on long-term debt	36,224,672	34,047,626	-	-	36,224,672	34,047,626
Debt service - bond issuance costs	-	2,039,838	-	-	-	2,039,838
Payments related to shared services arrangements	623,689	605,282	-	-	623,689	605,282
Other intergovernmental changes	1,628,436	1,445,960	-	-	1,628,436	1,445,960
District-Wide Child Care	-	-	-	1,986,250	-	1,986,250
Total expenses	348,870,991	330,926,287	-	1,986,250	348,870,991	332,912,537
CHANGE IN NET POSITION	30,555,477	24,551,989	(590,770)	(102,637)	29,964,707	24,449,352
NET POSITION, BEGINNING	54,355,014	29,803,025	590,770	693,407	54,945,784	30,496,432
ADJUSTMENTS	(3,883,420)	-	-	-	(3,883,420)	-
NET POSITION, ENDING	$ 81,027,071	$ 54,355,014	$ -	$ 590,770	$ 81,027,071	$ 54,945,784

Property taxes, including penalties and interest, increased 9.0% and accounted for 55.2% of total 2025 revenues. This revenue increase was the result of additional property values related to new businesses and residential construction, and a corresponding reduction in state funding due to property tax increases. The District decreased its tax rate for operations at $0.6669 for 2025. The tax rate for debt service was unchanged at $0.4877. Operating grants and contributions decreased as federal funding from COVID-related grants ended in the prior year. Grants and contributions not restricted increased as a result of increased state funding on a per student basis.

Business-type Activities. Revenues of the District's business-type activities represent $0 from childcare operations at District campuses. All business-type activities were transferred to governmental activities as of June 30, 2025.

Financial Analysis of Governmental Funds

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

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of $245,058,997. A complete listing of fund balances at June 30, 2025, is shown in the following table:

Fund Balances	At June 30, 2025
General Fund, Non-spendable	$ 4,237,964
General Fund, Unassigned	20,897,811
Food Service, Restricted & Non-spendable	6,591,509
Local grants, Restricted & Non-spendable	336,386
Capital Projects, Restricted	172,639,809
Debt Service, Restricted	40,355,518
Total Fund Balances	$ 245,058,997

The General Fund decreased its total fund balance by $6,324,505. The total fund balance of $25,135,775 at June 30, 2025 represents a 20.1% decrease over the prior year. Expenditures were less than anticipated in all functions. Expenditures increased as a result of inflationary pressures and played payroll increases.

The Debt Service Fund has a total fund balance of $40,355,518, all of which is restricted for the payment of debt service. The increase in fund balance is a result of a growing property tax base, offset by a reduced debt service tax rate.

The Capital Projects Fund has a total fund balance of $172,639,809, which represents funds remaining from current and prior year bond sales. These funds are restricted for the construction and renovation of school buildings and purchase of equipment and land. Fund balance in this fund decreased by $169,137,465 as a result of the continued construction projects related to bond issuances.

General Fund Budgetary Highlights

The District's budgets have continually included budget reductions and revenue enhancements in an effort to maximize the use of existing resources and meet the needs of a fast-growth district. The ability to provide additional teachers and staff, maintain student-to-teacher ratios, support core operations, expand technology systems and maintain competitive salaries continues to be a challenge.

The District has consistently moved toward the adoption of a balanced budget. The District has maintained its maintenance and operations tax rate of $1.04 during the 2013 through 2019 fiscal years. Starting in fiscal year 2020, with the passage of HB 3, the District's maintenance and operations rate started being compressed each year to a rate of $.6669 for the 2025 fiscal year.

In 2013-2014 and 2014-2015 the District adopted general fund deficit budgets of ($1,933,100) and ($466,444) respectively. The District adopted a balanced budget in 2015-2016, due in large part to the funding efforts of the 84th Legislature, strong property value growth, and additional budget cuts and revenue enhancements. Reduction of state funding due to the elimination of ASATR and property value growth saw the District's return to deficit operating budgets in 2016-2017, 2017-2018, 2018-2019, and 2019-2020. The 2016-2017 budgeted deficit was ($1,828,618), the 2017-2018 original budget reflected a deficit of ($3,417,041), the 2018-2019 adopted budget reflected a deficit of ($5,987,344), the 2019-2020 adopted budget reflected a deficit of ($1,908,173), the 2020-2021 adopted budget reflected a deficit of ($2,529,396), the 2021-2022 adopted budget reflected a deficit of ($4,720,822), the 2022-2023 adopted budget reflected a deficit of ($12,638,055), and the 2023-2024 adopted budget reflected a deficit of ($17,929,461) which is reflective of the funding challenges faced by school districts in an effort to keep pace with rising costs and retain quality staff while state funding levels remain unchanged since 2019. These budgets enabled the district to maintain competitive wages, address student enrollment growth and staffing needs, and expand programs.

The District adopted a budget deficit in 2024-2025 of $16,520,071. Over the course of the current fiscal year, actual expenditures were less than final budget amounts for the General Fund in total. Positive variances were widespread across functions except for functions 11, 61, and 71.

Capital Assets and Debt Administration

Capital Assets. At the end of 2025, The District had invested $868,267,827 in a broad range of capital assets, including land, construction in progress, buildings and improvements, furniture and equipment, and right to use assets. This amount represents a net increase (including depreciation, additions and deductions) of $150,810,858 from last year. Total depreciation expense for the current fiscal year was $23,588,023 charged proportionately to the various functions/programs of the District. Additional information on the District's capital assets can be found in Note II. F of this report.

Long-term Debt. At year-end, the District had $884,406,758 in bonds payable outstanding. Additional information about the District's debt is presented in Note II. G of this report.

The District maintains a "Aaa" rating from Moody's and "AAA" by Fitch for general obligation debt by virtue of the guarantee of the Permanent School Fund from the State of Texas.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The District's 2025-2026 enrollment for budget purposes was 25,826, an increase of 1,496 students or 4.66% from 2024-2025 end of year enrollment of 24,330. This equates to a refined average daily attendance (ADA) of 24,018 (93% student attendance rate). Actual enrollment for 2024-2025 was 24,330 at the end of the fiscal year.

- Net taxable value used for the 2026 budget is estimated at $18,400,795,280, based on the Hays, Caldwell, and Travis County Appraisal District's (CADs) 2025 certified estimate of property values released in July 2025. This is an increase of $1,325,655,549 (6.7%) over CADs certified values for 2024.

- Compensation increases for teachers, nurses, librarians and counselors were prescribed by the legislature at $5,000 for most teachers and a small increase for non-administrators.

- Teacher starting salary to $53,265.

- Total monthly contribution of $445 ($5,340 annually) for the District's health insurance plan allowing the District to continue offering a medical plan that is a $39 per month cost for employee only coverage.

- Additional teachers/staff to accommodate growth and program enhancements.

- The District's 2025-2026 total tax rate is $1.1546 per $100/valuation, with a Maintenance and Operations tax of $.6669 and Interest and Sinking of $0.4877. This represents no change from the 2024-2025 tax rate and a total decrease of $.3831 over the past five years.

The general operating budget increased $29.2 million for 2025-2026, a 12.3% increase in projected expenditures over the prior year original budget. The largest increases in the budget were for compensations increases to keep up with market and additional teachers to accommodate growth and program enhancements. If budget estimates are realized, the District's General Fund balance is expected to have no change by the close of 2025-2026 before any one-time uses of fund balance. Additional information regarding the District's budget can be found at www.hayscisd.net.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Financial Services Department at (512) 268-2141, or log on to www.hayscisd.net.

BASIC FINANCIAL STATEMENTS

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HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT **EXHIBIT A-1**

STATEMENT OF NET POSITION

JUNE 30, 2025

Data Control Codes		Governmental Activities	Business-type Activities	Total
	ASSETS			
	Current assets:			
1110	Cash and cash equivalents	$ 270,648,053	$ -	$ 270,648,053
1220	Property taxes receivable (delinquent)	7,163,692	-	7,163,692
1230	Allowance for uncollectible taxes	(1,561,886)	-	(1,561,886)
1240	Due from other governments	31,596,938	-	31,596,938
1290	Other receivables	140	-	140
1300	Inventory	81,267	-	81,267
1410	Prepaid items	3,171	-	3,171
	Total current assets	307,931,375	-	307,931,375
	Noncurrent assets:			
	Capital assets:			
1510	Land	22,479,977	-	22,479,977
1520	Buildings and improvements, net	481,063,838	-	481,063,838
1530	Furniture and equipment, net	33,047,759	-	33,047,759
1550	Right to use, net	5,735,120	-	5,735,120
1580	Construction in progress	325,941,133	-	325,941,133
	Total noncurrent assets	868,267,827	-	868,267,827
1000	Total assets	1,176,199,202	-	1,176,199,202
	DEFERRED OUTFLOWS OF RESOURCES			
1701	Deferred loss on bond refunding	9,077,416	-	9,077,416
1705	Pension related	19,339,894	-	19,339,894
1706	OPEB related	26,859,904	-	26,859,904
1700	Total deferred outflows of resources	55,277,214	-	55,277,214
	LIABILITIES			
	Current liabilities:			
2110	Accounts payable	26,372,639	-	26,372,639
2140	Interest payable	13,256,410	-	13,256,410
2150	Payroll deductions and withholdings	2,145,885	-	2,145,885
2160	Accrued wages payable	26,572,843	-	26,572,843
2180	Due to other governments	5,709,209	-	5,709,209
2190	Due to student groups	48,606	-	48,606
2300	Unearned revenue	587,057	-	587,057
	Total current liabilities	74,692,649	-	74,692,649
	Noncurrent liabilities:			
	Due within one year			
2501	Long-term debt	34,138,306	-	34,138,306
	Due in more than one year			
2502	Long-term debt	872,213,147	-	872,213,147
2540	Net pension liability	75,011,412	-	75,011,412
2545	Net OPEB liability	50,609,148	-	50,609,148
	Total noncurrent liabilities	1,031,972,013	-	1,031,972,013
2000	Total liabilities	1,106,664,662	-	1,106,664,662
	DEFERRED INFLOWS OF RESOURCES			
2605	Pension related	1,845,712	-	1,845,712
2606	OPEB related	41,938,971	-	41,938,971
2600	Total deferred inflows of resources	43,784,683	-	43,784,683
	NET POSITION			
3200	Net investment in capital assets	151,420,440	-	151,420,440
	Restricted for:			
3820	Federal and state programs	6,915,754	-	6,915,754
3850	Debt service	30,449,585	-	30,449,585
3900	Unrestricted	(107,758,708)	-	(107,758,708)
3000	Total net position	$ 81,027,071	$ -	$ 81,027,071

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

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2025

			Program Revenues	
		1	3	4
Data Control Codes	Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions
	Primary government:			
	Governmental activities:			
11	Instruction	$ 180,198,927	$ 4,811,632	$ 13,371,139
12	Instructional resources and media services	3,932,999	7,239	112,343
13	Curriculum and staff development	4,370,754	69,325	2,593,274
21	Instructional leadership	5,517,091	1,529	517,228
23	School leadership	15,524,039	3,148	554,927
31	Guidance, counseling, and evaluation services	9,127,652	2,304	838,389
32	Social work services	1,309,642	-	730,481
33	Health services	3,000,666	-	92,690
34	Student transportation	15,250,491	-	387,342
35	Food service	13,584,595	3,845,817	8,764,614
36	Extracurricular activities	7,913,190	494,163	373,907
41	General administration	6,513,242	85,094	193,607
51	Facilities maintenance and operations	28,667,986	623,335	524,900
52	Security and monitoring services	4,994,712	-	1,375,575
53	Data processing services	8,242,320	62,910	320,752
61	Community services	2,245,888	2,474	200,408
72	Interest on long-term debt	36,224,672	-	7,542,784
93	Payments for shared services arrangements	623,689	-	493,718
99	Other intergovernmental changes	1,628,436	-	-
	Total governmental activities	$ 348,870,991	$ 10,008,970	$ 38,988,078
	General revenues and transfers:			
	Taxes:			
MT	Property taxes, levied for general purposes			
DT	Property taxes, levied for debt service			
GC	Grants and contributions not restricted to specific programs			
IE	Investment earnings			
MI	Miscellaneous			
FR	Transfers			
TR	Total general revenues and other			
CN	Change in net position			
NB	Net position, beginning			
	Restatement: changes in accounting principal			
NB	Net position, beginning as restated			
NE	Net position, ending			

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

Program Revenues	Net (Expenses) Revenue and Changes in Net Position		
5	6	7	8
Capital Grants and Contributions	Primary Gov. Governmental Activities	Business-type Activities	Total
$ 2,318,179	$ (159,697,977)	$ -	$ (159,697,977)
108,497	(3,704,920)	-	(3,704,920)
-	(1,708,155)	-	(1,708,155)
-	(4,998,334)	-	(4,998,334)
-	(14,965,964)	-	(14,965,964)
-	(8,286,959)	-	(8,286,959)
-	(579,161)	-	(579,161)
-	(2,907,976)	-	(2,907,976)
3,596,049	(11,267,100)	-	(11,267,100)
-	(974,164)	-	(974,164)
226,677	(6,818,443)	-	(6,818,443)
80,229	(6,154,312)	-	(6,154,312)
2,319,475	(25,200,276)	-	(25,200,276)
97,669	(3,521,468)	-	(3,521,468)
1,568,688	(6,289,970)	-	(6,289,970)
-	(2,043,006)	-	(2,043,006)
-	(28,681,888)	-	(28,681,888)
-	(129,971)	-	(129,971)
-	(1,628,436)	-	(1,628,436)
$ 10,315,463	(289,558,480)	-	(289,558,480)
	121,099,382	-	121,099,382
	88,499,944	-	88,499,944
	105,505,371	-	105,505,371
	3,803,286	-	3,803,286
	615,204	-	615,204
	590,770	(590,770)	-
	320,113,957	(590,770)	319,523,187
	30,555,477	(590,770)	29,964,707
	54,355,014	590,770	54,945,784
	(3,883,420)	-	(3,883,420)
	50,471,594	590,770	51,062,364
	$ 81,027,071	$ -	$ 81,027,071

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2025

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects
	ASSETS			
1110	Cash and cash equivalents	$ 24,152,280	$ 39,870,279	$ 200,865,726
1220	Property taxes - delinquent	4,368,601	2,795,091	-
1230	Allowance for uncollectible taxes (credit)	(1,018,124)	(543,762)	-
1240	Receivables from other governments	26,153,146	276,188	-
1260	Due from other funds	8,700,420	209,051	350,343
1290	Other receivables	-	-	-
1300	Inventory	69,626	-	-
1410	Prepaid items	4,168,338	-	-
1000	Total assets	66,594,287	42,606,847	201,216,069
	LIABILITIES			
2110	Accounts payable	1,754,644	-	24,368,935
2150	Payroll deductions and withholdings payable	2,145,885	-	-
2160	Accrued wages payable	25,978,417	-	-
2170	Due to other funds	2,272,617	-	4,207,325
2180	Due to other governments	5,709,132	-	-
2190	Due to student groups	48,606	-	-
2300	Unearned revenues	198,734	-	-
2000	Total liabilities	38,108,035	-	28,576,260
	DEFERRED INFLOWS OF RESOURCES			
2601	Unavailable revenue	3,350,477	2,251,329	-
2600	Total deferred inflows of resources	3,350,477	2,251,329	-
	FUND BALANCES			
	Nonspendable:			
3410	Inventories	69,626	-	-
3430	Prepaid items	4,168,338	-	-
	Restricted:			
3450	Federal or state grant restrictions	-	-	-
3470	Capital acquisition and contractual obligations	-	-	172,639,809
3480	Debt service	-	40,355,518	-
	Assigned:			
3600	Unassigned	20,897,811	-	-
3000	Total fund balances	25,135,775	40,355,518	172,639,809
4000	Total liabilities, deferred inflows and fund balances	$ 66,594,287	$ 42,606,847	$ 201,216,069

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

Nonmajor Governmental Funds	Total Governmental Funds
$ 5,759,768	$ 270,648,053
-	7,163,692
-	(1,561,886)
5,167,604	31,596,938
2,083,101	11,342,915
140	140
11,641	81,267
500	4,168,838
13,022,754	323,439,957
249,060	26,372,639
-	2,145,885
594,426	26,572,843
4,862,973	11,342,915
77	5,709,209
-	48,606
388,323	587,057
6,094,859	72,779,154
-	5,601,806
-	5,601,806
11,641	81,267
500	4,168,838
6,915,754	6,915,754
-	172,639,809
-	40,355,518
-	20,897,811
6,927,895	245,058,997
$ 13,022,754	$ 323,439,957

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HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT **EXHIBIT C-2**

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

JUNE 30, 2025

Total fund balances - governmental funds	$ 245,058,997
Amounts reported for for governmental activities in the statement of net position are different because:	
1 Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	864,102,160
2 Some receivables are reported as deferred inflows of resources in the governmental funds balance sheet, but are recognized as a revenue in the statement of activities.	
Property taxes	5,601,806
3 The following long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	
General and certificates of obligation	(816,580,000)
Unamortized premium	(67,826,758)
Deferred loss on refunding	9,077,416
Leases	(1,125,204)
SBITAs	(345,712)
Compensated absences	(7,786,841)
Arbitrage	(12,686,938)
4 Interest payable is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(13,256,410)
5 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68.	
Net pension liability	(75,011,412)
Deferred outflows related to pensions	19,339,894
Deferred inflows related to pensions	(1,845,712)
6 Included in the items related to debt is the recognition of the District's proportionate share of the net other post-employment benefit (OPEB) liability required by GASB 75.	
Net OPEB liability	(50,609,148)
Deferred outflows related to OPEB	26,859,904
Deferred inflows related to OPEB	(41,938,971)
29 Net position of governmental activities	$ 81,027,071

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

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 2025

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects
	REVENUES			
5700	Local and intermediate sources	$ 129,421,587	$ 90,636,690	$ 14,059,768
5800	State program	118,304,810	7,542,784	22,426
5900	Federal program	1,628,586	-	-
5020	Total revenues	249,354,983	98,179,474	14,082,194
	EXPENDITURES			
	Current:			
0011	Instruction	155,790,970	-	4,533,398
0012	Instructional resources and media services	3,334,915	-	212,176
0013	Curriculum and instructional staff development	1,820,112	-	-
0021	Instructional leadership	5,341,009	-	-
0023	School leadership	14,600,453	-	-
0031	Guidance, counseling and evaluation services	8,288,245	-	-
0032	Social work services	601,064	-	-
0033	Health services	2,843,484	-	-
0034	Student (pupil) transportation	12,820,504	-	7,032,382
0035	Food services	-	-	-
0036	Extracurricular activities	7,018,215	-	443,287
0041	General administration	6,359,007	-	156,895
0051	Facilities maintenance and operations	25,044,255	-	4,535,931
0052	Security and monitoring services	3,770,451	-	191,000
0053	Data processing services	5,106,752	-	3,067,702
0061	Community services	2,225,232	-	-
	Debt service:			
0071	Principal on long term debt	749,541	57,770,000	-
0072	Interest on long term debt	33,169	39,071,456	-
0073	Debt service costs and fees	-	36,217	-
	Capital Outlay:			
0081	Facilities acquisition and construction	-	-	163,695,382
	Intergovernmental:			
0093	Payments for SSA	131,264	-	-
0099	Other intergovernmental charges	1,628,436	-	-
6030	Total expenditures	257,507,078	96,877,673	183,868,153
1100	Excess (deficiency) of revenues over (under) expenditures	(8,152,095)	1,301,801	(169,785,959)
	OTHER FINANCING SOURCES (USES)			
7912	Sale of real & personal property	194,469	-	-
7913	Issuance of leases	52,773	-	648,494
7915	Transfers In	1,580,348	-	-
7080	Total other financing sources (uses)	1,827,590	-	648,494
1200	Net change in fund balances	(6,324,505)	1,301,801	(169,137,465)
0100	Fund balance - July 1 (beginning)	31,460,280	39,053,717	341,777,274
3000	Fund balance - June 30 (ending)	$ 25,135,775	$ 40,355,518	$ 172,639,809

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

Nonmajor Governmental Funds	Total Governmental Funds
$ 4,726,176	$ 238,844,221
5,345,582	131,215,602
17,999,988	19,628,574
28,071,746	389,688,397
8,480,004	168,804,372
7,035	3,554,126
2,561,945	4,382,057
336,042	5,677,051
78,453	14,678,906
549,092	8,837,337
714,908	1,315,972
3,270	2,846,754
-	19,852,886
13,407,119	13,407,119
71,971	7,533,473
27,845	6,543,747
2,207	29,582,393
1,325,666	5,287,117
15,334	8,189,788
76,271	2,301,503
-	58,519,541
-	39,104,625
-	36,217
-	163,695,382
492,425	623,689
-	1,628,436
28,149,587	566,402,491
(77,841)	(176,714,094)
5,268	199,737
-	701,267
-	1,580,348
5,268	2,481,352
(72,573)	(174,232,742)
7,000,468	419,291,739
$ 6,927,895	$ 245,058,997

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HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT **EXHIBIT C-4**

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

FOR THE YEAR ENDED JUNE 30, 2025

Net change in fund balances - total governmental funds	$ (174,232,742)
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 as depreciation expense.	
Additions to capital assets	174,770,630
Disposals of capital assets	42,510
Depreciation on capital assets	(23,588,023)
Some receivables are not considered available revenues and are reported as deferred inflows in the governmental funds.	
Property taxes	(957,404)
The District uses an internal service fund to charge the cost of printing to the appropriate functions in other funds. The net income of the internal service fund is reported as a part of governmental activities which decreases net position.	(989,578)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Principal repayment	58,519,541
Issuance of leases	(701,267)
Arbitrage	(3,744,305)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Amortization of premium and deferred loss on refunding of bonds payable	1,912,955
Accrued interest payable	1,003,215
Change in compensated absences	(2,612,526)
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by $6,273,360. Contributions made before the measurement date and during the previous fiscal year were expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling $5,576,956. Finally, the proportionate share of pension expense on the plans as a whole had to be recorded. The net pension expense decreased the change in net position by $5,073,314. The net result is a decrease in the change in net position.	(4,376,910)
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by $1,298,204. Contributions made before the measurement date and during the previous fiscal year were expended and recorded as a reduction in net OPEB liability. This caused a decrease in net position totaling $1,248,439. Finally, the proportionate share of the TRS OPEB expense on the plans as a whole had to be recorded. The net OPEB expense increased the change in net position by $5,459,616. The net result is an increase in the change in net position.	5,509,381
Change in net position of governmental activities	$ 30,555,477

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

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT **EXHIBIT D-1**

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

JUNE 30, 2025

	Business-type Activities	Governmental Activities
	District-Wide Child Care	Internal Service Fund
ASSETS	$ -	$ -
LIABILITIES	-	-
NET POSITION	-	-
Total net position	$ -	$ -

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

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT **EXHIBIT D-2**

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2025

	Business-type Activities	Governmental Activities
	District-Wide Child Care	Internal Service Fund
OPERATING REVENUES	$ -	$ -
OPERATING EXPENSES	-	-
TRANSFERS OUT	(590,770)	(989,578)
CHANGE IN NET POSITION	(590,770)	(989,578)
NET POSITION, BEGINNING	590,770	989,578
NET POSITION, ENDING	$ -	$ -

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

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HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

EXHIBIT D-3

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2025

	Business-type Activities	Governmental Activities
	District-Wide Child Care	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from user charges	$ 177,037	$ 68,476
Net cash provided (used) by operating activities	177,037	68,476
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to other funds	(590,770)	(989,578)
Cash provided (used) by noncapital financing activities	(590,770)	(989,578)
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from disposal of capital assets	-	65,251
Net cash provided (used) by capital and related financing activities	-	65,251
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(413,733)	(855,851)
CASH AND CASH EQUIVALENTS, BEGINNING	413,733	855,851
CASH AND CASH EQUIVALENTS, ENDING	-	-
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income (loss)	-	-
Adjustments to reconcile operating income to net cash provided by operating activities:		
(Increase) decrease in customer receivable	4,274	-
(Increase) decrease in due from other funds	172,763	47,205
(Increase) in inventory	-	23,268
Increase (decrease) in due to other funds	-	(10)
Increase (decrease) in accounts payable	-	(1,987)
Net cash provided (used) by operating activities	$ 177,037	$ 68,476
SCHEDULE OF NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Transfer of capital assets to governmental activities	$ -	$ 167,751

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

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

JUNE 30, 2025

	Private Purpose Trust	Custodial Fund
ASSETS		
Cash and cash equivalents	$ 83,458	$ 2,102,821
Due from other governments	61,882	1,004,166
Other receivables	-	3,840
Total assets	145,340	3,110,827
LIABILITIES		
Accounts payable	12,050	75,023
Due to other governments	-	36,438
Total assets	12,050	111,461
NET POSITION		
Restricted for student groups	-	2,999,366
Held in trust for private purposes	133,290	-
Total net position	$ 133,290	$ 2,999,366

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

HAYS CONSOLIDATED INDEPENDENT SCHOOL DISTRICT

EXHIBIT E-2

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2025

	Private Purpose Trust	Custodial Fund
ADDITIONS		
Collections from student groups	$ 125,651	$ -
Enterprising services	-	4,741,643
Total additions	125,651	4,741,643
DEDUCTIONS		
Professional and contracted services	30,135	-
Supplies and materials	292	-
Other operating costs	18,884	4,696,118
Total deductions	49,311	4,696,118
NET CHANGE IN FIDUCIARY NET POSITION	76,340	45,525
NET POSITION, BEGINNING	56,950	2,953,841
NET POSITION, ENDING	$ 133,290	$ 2,999,366

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

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

This report includes those activities, organizations and functions related to the Hays Consolidated Independent School District (the "District"), which are controlled by or dependent upon the District's governing body, the Board of Trustees (the "Board"). The Board, a seven-member group, is the level of government having governance responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the District. Since the District receives funding from local, state and federal government sources, it must comply with the requirements of the entities providing those funds. However, the Board is not included in any other governmental "reporting entity" as defined by the Governmental Accounting Standards Board ("GASB"), since Board members are elected by the public and have decision making authority. There are no component units included within the reporting entity.

The accounting policies of the District comply with the rules prescribed by the Texas Education Agency's ("TEA") Financial Accountability System Resource Guide. These accounting policies conform to generally accepted accounting principles applicable to state and local governments.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. 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. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, and 2) operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty 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 are recorded only when payment is due.

Major revenue sources considered susceptible to accrual include state and federal program revenues, interest income, and property taxes. Delinquent property taxes at year end that are not collected within sixty days of year end are reported as deferred inflows of resources.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

The District reports the following major governmental funds:

The **General Fund** includes financial resources used for general operations. It is a budgeted fund, and any unassigned fund balance is considered resources available for current operations.

The **Debt Service Fund** includes debt service taxes and other revenues collected to retire bond principal and to pay interest due. It is a budgeted fund.

The **Capital Projects Fund** includes the proceeds from the sale of bonds and other revenues to be used for authorized construction and other capital asset acquisitions.

The District has no major Enterprise funds.

Additionally, the District reports the following fund types:

Special Revenue Funds are governmental funds which include resources restricted, committed, or assigned for specific purposes by a grantor or the Board. Federally financed programs where unused balances are returned to the grantor at the close of specified project periods are accounted for in these funds. The District uses project accounting to maintain integrity for the various sources of funds.

Enterprise Funds are proprietary funds and are used to account for District activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities. The District’s Enterprise Fund consists of the District-Wide Child Care Fund. The childcare activity was closed into the General Fund in fiscal year 2025.

Internal Service Funds are proprietary funds and were used to account for the print shop. The print shop's activity was closed into the General Fund in fiscal year 2025.

The **Private Purpose Trust Fund** is a fiduciary trust fund and is used to account for the principal and income that benefit individuals in the form of scholarships and a training seminar for music instruction.

Custodial Funds are unbudgeted funds and are used to account for activities of student groups.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the District’s internal service fund are interfund charges for the print shop. Operating expenses include administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, Net Position/Fund Balance, Revenues and Expenditures/Expenses

Deposits and Investments

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

Investments throughout the fiscal year consisted of investments in external local government investment pools. Local government securities are recognized at fair value and the external local government pools are recognized at amortized cost as permitted by relevant accounting standards. The District is entitled to invest any and all of its funds in certificates of deposit, direct debt securities of the United States of America or the State of Texas, certain Federal agency securities and other types of municipal bonds, fully collateralized repurchase agreements, commercial paper and local government investment pools. The District's investment policies and types of investments are governed by Section 2256 of the Texas Government Code ("Public Funds Investment Act"). The District's management believes that it complied with the requirements of the Public Funds Investment Act and the District's investment policy. The District accrues interest on temporary investments based on the terms and effective interest rates of the specific investments.

Fair Value Measurements

The District complies with relevant accounting standards, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

- Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.

- Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

- Level 3 inputs are unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

- Market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities

- Cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost)

- Income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Ad Valorem Property Taxes

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Inventories

Inventories consist of expendable supplies held for consumption. Inventories are charged to expenditures when consumed. Supply inventory if recorded at cost using the FIFO method.

Federal food commodities inventory is stated at fair value and at year end is recorded as unearned revenue. Revenue is recognized at fair value when commodities are distributed to the schools.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are charged to expenditures when consumed.

Capital Assets

Capital assets, which include land, construction in progress, buildings and improvements, and furniture and equipment, are reported in the governmental activities column in the government-wide financial statements. The District has no infrastructure assets. Capital assets are defined by the District as assets with an initial, individual cost of $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or at acquisition value at the date of donation if donated. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized. Capital assets (other than land and construction in progress) are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	20-39
Vehicles	10
Furniture and equipment	5-15
Right to use - equipment	3-5
Right to use - buildings	30
Right to use - subscriptions	2-5

Leases and Subscription-Based Information Technology Arrangements

The District is a lessee for a noncancellable lease of equipment and subscription-based IT arrangements (SBITAs). The District recognizes a liability and an intangible right-to-use assets in the government-wide financial statements.

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

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

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

- The agreement term includes the noncancellable period of the lease or SBITA.

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

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

These right to use assets are reported with other capital assets and liabilities are reported with long-term debt on the statement of net position.

Compensated Absences Liability

The State of Texas (the "State") has created a minimum sick leave program consisting of five days of sick leave per year with no limit on accumulation and transferability among districts for every person regularly employed in Texas public schools. Each district's local board is required to establish a sick leave plan. Local school districts may provide additional sick leave beyond the State minimum. It is the District's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. Such benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability is recognized for amounts earned that are more likely than not to be used in the future.

Defined-Benefit Pension Plan

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.

Other Post-Employment Benefits

The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS-Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to 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.

Deferred Outflows/Inflow 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 assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has a deferred resource outflow for TRS. The item related to TRS represents the District's share of the unrecognized plan deferred outflow of resources which TRS uses in calculating the ending net pension liability and net OPEB liability. The District also has a deferred charge on bond refunding, which 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.

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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of inflow, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. The governmental funds report unavailable revenues from one source: property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District also recognizes their share of the unrecognized TRS plan deferred inflows of resources with TRS uses in calculating the ending net pension liability and net OPEB liability.

Net Position

Net position represents the difference between assets, deferred outflows (inflows) of resources and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Net Position Flow Assumption

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

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

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

- Assigned: This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. It is the District's policy for the Board of Trustees to approve all assignments by formal action. Unlike commitments, assignments generally only exist temporarily. An additional action does not normally have to be taken for the removal of an assignment.

- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

Fund Balance Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (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.

Statement of Cash Flows

For purposes of the statement of cash flows for proprietary fund types, the District considers all liquid investments with original maturities of 90 days or less to be cash equivalents.

Use of Estimates

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

Data Control Codes

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

Change in Accounting Principle

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

GASB Statement No. 101, *Compensated Absences* – The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. Accordingly, the cumulative effect of the accounting change has been recognized in a restatement of beginning net position for the year ended June 30, 2024.

II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

The Public Funds Investment Act authorizes the District to invest in funds under a written investment policy, which is approved annually by the Board. The primary objectives of the District's investment strategy, in order of priority, are preservation and safety of principal, liquidity and yield.

The District is authorized to invest in the following investment instruments provided that they meet the guidelines established in the investment policy:

- Obligations of, or guaranteed by, governmental entities
- Certificates of deposit and share certificates
- Fully collateralized repurchase agreements
- Banker's acceptance
- Commercial paper
- Money market funds and no-load mutual funds
- Public funds investment pools

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. The depository bank deposits for safekeeping and trust with the District's agent approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. Therefore, the District is not exposed to custodial credit risk.

Under the depository contract, the District, at its own discretion, may invest funds in time deposits and certificates of deposit provided by the depository bank at interest rates approximating United States Treasury Bill rates.

The District's deposits with financial institutions at June 30, 2025 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name. The deposits were collateralized in accordance with Texas law and TEA maintains copies of all safekeeping receipts in the name of the District.

The following are investments held by the District at year-end:

Type	Fair Value	Percentage of Investments	Weighted Average Maturity (Days)	Rating
TexPool	$ 44,794,706	17.2%	41	AAAm
Texas Range	5,206,053	2.0%	43	AAAmmf
Lone Star (Corporate)	210,256,516	80.7%	32	AAA
Lone Star (Government)	435,648	0.2%	28	AAA
	$ 260,692,923	100.0%		
Portfolio weighted average			34	

The investment pools are external investment pools measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, the investment pool must transact a stable net asset value per share and maintain certain maturity, quality, liquidity and diversification requirements within the investment pool. The investment pool transacts at a net asset value of $1.00 per share, has weighted average maturities of 60 days or less and weighted average lives of 120 days or less, investments held are highly rated by nationally recognized statistical rating organizations, have no more than 5% of portfolio with one issuer (excluding U.S. government securities), and can meet reasonably foreseeable redemptions. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.

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

Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas and its agencies; (2) guaranteed or secured certificates of deposits issued by state and national banks domiciled in Texas; (3) obligations of states, agencies, counties, cities and other political subdivision of any state having been rated as to investment quality no less than an "A"; (4) No load money market funds with a weighted average maturity of 90 days or less; (5) fully collateralized repurchase agreements; (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies or on nationally recognized credit agency and is fully secured by an irrevocable letter of credit; (7) secured corporate bonds rated not lower than "AA-" or the equivalent; (8) public funds investment pools; and (9) guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas Public Funds Investment Act in an amount equal to the bond proceeds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

Additional policies and contractual provision governing investments for the District are specified below:

Credit Risk: At June 30, 2025, investments were included in external local government investment pools in compliance with the District's investment policy.

Custodial Credit Risk – Investments: Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the District, and are held by either the counterparty or the counterparty's trust department or agent not in the District's name. At June 30, 2025, the District was not exposed to custodial credit risk.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. Information regarding investments in any one issuer that represents five percent or more of the District's total investments must be disclosed, excluding investments issued or explicitly guaranteed by the U.S. Government. At June 30, 2025, the District was not exposed to concentration of credit risk.

Interest Rate Risk: As a means of minimizing risk of loss due to interest rate fluctuations, the investment policy requires that maturities for internally created pool fund groups will not exceed the dollar weighted average maturity limits. Maturities of any other individual investment owned by the District should not exceed three years from the time of purchase. The Board may specifically authorize a longer maturity for a given investment, within legal limits. The District considers the holdings in the external local government investment pools to have a one day weighted average maturity due to the fact that the share position can usually be redeemed each day at the discretion of the shareholders, unless there has been a significant change in value. At June 30, 2025, the District was not exposed to significant interest rate risk.

B. Property Taxes

The Texas Legislature in 1979 adopted a comprehensive Property Tax Code (the "Code") which established a county-wide appraisal district and an appraisal review board in each county in the State. The Hays Central Appraisal District (the "Appraisal District") is responsible for the recording and appraisal of all property in the District. Under the Code, the District's Board sets the tax rates on property and the Appraisal District's tax department provides tax collection services. The Appraisal District is required under the Code to assess property at 100% of its appraised value. Further, real property must be reappraised at least every four years. Under certain circumstances, taxpayers and taxing units, including the District, may challenge orders of the Appraisal Review Board through various appeals and, if necessary, legal action.

Property taxes are levied as of October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, and penalties and interest that are ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period, including those property taxes expected to be collected during a 60-day period after the end of the District's fiscal year. The assessed value at January 1, 2024, upon which the October 2024 levy was based, was $18,393,534,817. The District levied taxes based on a combined tax rate of $1.1546 per $100 of assessed valuation for local maintenance (general governmental services) and debt service.

C. Due from Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully fund certain activities. The District also receives entitlements from the State through the School Foundation and Per Capita Programs. In addition, the District has entered into interlocal agreements with local governments in which the District is to be reimbursed for certain costs. These amounts are reported in the basic financial statements as Due from Other Governments and are summarized below as of June 30, 2025.

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
State entitlements	$ 25,890,348	$ -	$ -	$ 25,890,348
Federal and state grants	152,933	-	5,167,604	5,315,663
Local governments	109,865	276,188	-	386,053
Totals	$ 26,153,146	$ 276,188	$ 5,162,730	$ 31,592,064

D. Interfund Receivables, Payables and Transfers

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds." The balances below resulted from the lag between the dates that 1) interfund goods and services are provided on reimbursable expenditures occur, and 2) transactions that are recorded in the accounting system, and 3) payments between funds are made.
The composition of interfund balances as of June 30, 2025 is as follows:

Receivable Fund	Payable Fund	Amount
General fund	Capital projects	$ 4,207,325
General fund	Nonmajor governmental	4,493,095
Debt service	General fund	209,051
Capital projects	Nonmajor governmental	350,343
Nonmajor governmental	General fund	2,063,566
Nonmajor governmental	Nonmajor governmental	19,535
Total		$ 11,342,915

During the fiscal year 2025, $1,580,348 was transferred to the General Fund from the District-wide Child Care and Print Shop funds because those funds were closed out.

E. Unearned Revenue and Due to Other Governments

At June 30, 2025, unearned revenue in governmental funds consisted of the following:

	General Fund	Nonmajor Governmental Funds	Total
Federal and state grants	$ 198,734	$ 237,188	$ 435,922
Prepaid food service accounts	-	151,135	151,135
Totals	$ 198,734	$ 388,323	$ 587,057

The District reports amounts due to other governments in the general fund ($5,709,132). Of the amounts reported in the general fund, $4,642,164 represents an overpayment of foundation allotment funding. The remaining amount in the general fund consists of amounts owed to other entities.

F. Capital Assets

Changes in the District's capital assets for the year ended June 30, 2025 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 19,940,860	$ 2,539,117	$ -	$ 22,479,977
Construction in progress	291,706,932	160,306,420	(126,072,219)	325,941,133
Total capital assets, not being depreciated	311,647,792	162,845,537	(126,072,219)	348,421,110
Capital assets, being depreciated:				
Buildings and improvements	588,997,907	126,072,219	-	715,070,126
Furniture and equipment	61,422,798	11,127,608	(2,170,538)	70,379,868
Right to use - buildings	5,000,000			5,000,000
Right to use - equipment	2,449,777	721,307	(932,219)	2,238,865
Right to use - subscriptions	1,128,458	-	(139,165)	989,293
Total capital assets, being depreciated	658,998,940	137,921,134	(3,241,922)	793,678,152
Less accumulated deprecation and amortization for:				
Buildings and improvements	(215,957,005)	(18,049,283)	-	(234,006,288)
Furniture and equipment	(34,790,388)	(4,712,259)	2,170,538	(37,332,109)
Right to use - buildings	(666,666)	(166,667)	-	(833,333)
Right to use - equipment	(1,349,817)	(538,039)	815,996	(1,071,860)
Right to use - subscriptions	(425,887)	(289,442)	127,484	(587,845)
Total accumulated depreciation and amortization	(253,189,763)	(23,755,690)	3,114,018	(273,831,435)
Total governmental activities captial assets, net	$ 717,456,969	$ 277,010,981	$ (126,200,123)	$ 868,267,827

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

Governmental activities:	
Instruction	$ 14,797,262
Instruction resources & media services	447,466
Curriculum development & instructional staff development	46,291
Instructional leadership	26,645
School leadership	1,172,039
Guidance, counseling and evaluation services	489,514
Health services	214,070
Student (pupil) transportation	2,167,745
Food services	362,156
Extracurricular activities	776,324
General administration	134,663
Plant maintenance & operations	1,552,942
Security & monitoring services	247,517
Data processing services	1,321,056
Total depreciation expense	$ 23,755,690

G. Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2025:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental activities					
Long-term debt:					
General obligation bonds	$ 874,350,000	$ -	$ (57,770,000)	$ 816,580,000	$ 31,595,000
Premium on bonds	75,128,062	-	(7,301,304)	67,826,758	-
Compensated absences	5,174,315	2,612,526	-	7,786,841	1,946,710
Arbitrage	8,942,633	3,744,305	-	12,686,938	-
Leases	1,113,696	721,307	(709,799)	1,125,204	467,855
SBITA	586,835	-	(241,123)	345,712	128,741
Total long-term debt	965,295,541	7,078,138	(66,022,226)	906,351,453	34,138,306
Other:					
Net pension liability	84,532,995	-	9,521,583	75,011,412	-
Net OPEB liability	36,926,951	13,682,197	-	50,609,148	-
Total pension and OPEB	121,459,946	13,682,197	9,521,583	125,620,560	-
Total long-term liabilities	$ 1,086,755,487	$ 20,760,335	$ (56,500,643)	$ 1,031,972,013	$ 34,138,306

The compensated absence liability is reported as a net change. The District implemented GASB 101, *Compensated Absences,* during the year. The beginning balance for compensated absences was restated from $1,058,401 to $5,174,315 due to the implementation of new accounting principles. The net pension and OPEB liabilities are primarily liquidated by the general fund.

H. Bonds Payable

Bonded debt consists of the following at June 30, 2025:

Series	Date of Issue	Original Amount	Matures Through	Interest Rate	Outstanding at 6/30/2025	Due Within One Year
2016 Refunding	06/22/2016	$ 55,465,000	2038	4.00% - 5.00%	$ 36,745,000	$ 2,405,000
2017	08/09/2017	160,340,000	2042	2.00% - 5.00%	146,360,000	670,000
2017 Refunding	12/28/2017	25,460,000	2038	2.00% - 5.00%	18,565,000	1,590,000
2018A	09/13/2018	42,020,000	2042	3.00% - 5.00%	29,830,000	745,000
2020A	10/29/2020	28,640,000	2026	2.00% - 3.00%	10,550,000	10,550,000
2020B	10/29/2020	70,035,000	2039	1.70% - 5.00%	58,020,000	1,160,000
2021	08/17/2021	115,210,000	2046	2.25% - 5.00%	87,220,000	3,810,000
2022	08/22/2022	170,990,000	2047	4.00% - 5.00%	158,390,000	4,205,000
2023	08/02/2023	296,230,000	2048	4.00% - 5.00%	270,900,000	6,460,000
Total		$ 964,390,000			$ 816,580,000	$ 31,595,000

For the general obligation bonds, the District has pledged as collateral the proceeds of a continuing, direct annual tax levied against taxable property within the District without limitation as to rate. The Texas Education Code generally prohibits issuance of additional ad valorem tax bonds if the tax rate needed to pay aggregate principal and interest amounts of the District's tax bond indebtedness exceeds $0.50 per $100 of assessed valuation of taxable property within the District. The District's debt service rate for tax year 2024 is $0.4877.

The annual principal installments for each of the outstanding issues vary each year. As of June 30, 2025, the debt service requirements to maturity are as follows:

Year Ended June 30,	Principal	Interest	Total Requirements
2026	$ 31,595,000	$ 35,486,693	$ 67,081,693
2027	34,425,000	34,142,993	68,567,993
2028	29,805,000	32,495,918	62,300,918
2029	29,140,000	31,020,468	60,160,468
2030	30,655,000	29,563,468	60,218,468
2031-2035	180,565,000	125,982,295	306,547,295
2036-2040	222,135,000	82,130,646	304,265,646
2041-2045	176,660,000	39,094,875	215,754,875
2046-2050	81,600,000	6,983,600	88,583,600
Totals	$ 816,580,000	$ 416,900,956	$ 1,233,480,956

On May 29, 2025, the District defeased $25,850,000 of its bonds by placing $26,786,115 existing resources in an irrevocable trust to provide for all future debt service payments on the bonds. As a result, the bonds are considered defeased and have been removed from the District's financial statements. At June 30, 2025, $25,850,000 of defeased bonds remained outstanding. The transaction resulted in a debt service savings of $4,949,485.

The Series 2018B Bonds are variable interest bonds and will bear interest at a per annum rate of 2.70% through August 14, 2024. Thereafter, the bonds will bear interest at a rate or rates determined by the remarketing agent as provided in the bond order.

I. Arbitrage

The Tax Reform act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or not performed correctly, it could result in a substantial liability to the District. The District has engaged an arbitrage consultant to perform the calculations in accordance with IRS rules and regulations and the District has reported an arbitrage liability at year end in the amount of $12,686,938.

J. Lease Payable

As of June 30, 2025, the District had 51 active leases. The leases have payments that range from $937 to $30,595 for 24-month to 60-month terms and interest rates that range from 0.2850% to 3.1550%. As of June 30, 2025, the total combined value of the lease liability is $1,113,696, the total combined value of the short-term lease liability is $467,855.

A summary of changes in governmental long-term lease payable for the year ended June 30, 2025, is as follows:

Purpose of Lease	Amount of Initial Lease Liability	Amounts Outstanding 06/30/2025	Amounts Due Within One Year
Right to Use:			
Vehicles	$ 2,251,358	$ 1,125,204	$ 467,855
Totals		$ 1,125,204	$ 467,855

Debt service requirements are as follows:

Year Ending June 30,	Lease Payable Principal		Interest		Total Requirements	
2026	$	467,855	$	28,713	$	496,568
2027		266,584		16,576		283,160
2028		138,994		10,280		149,274
2029		141,412		5,897		147,309
2030		110,359		1,492		111,851
Total	$	1,125,204	$	62,958	$	1,188,162

K. Subscriptions Payable

The District entered into various subscriptions (12-months to 37-months) for right to use software. The District is required to make annual fixed payments between $450 and $112,127 and have interest rates between 1.8937% to 3.1213%. The initial amount of the subscription liability was $989,293.

Debt service requirements are as follows:

Year Ending June 30,	Subscriptions Payable Principal		Interest		Total Requirements	
2026	$	128,741	$	7,486	$	9,516
2027		107,289		4,838		7,767
2028		109,682		2,446		2,520
Total	$	345,712	$	14,770	$	19,803

L. Defined Benefit Pension Plan

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

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

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

Benefits Provided - TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional 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 COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (A) above. Accordingly, the 2023 Texas Legislature passed Senate Bill (SB) 10 and House Joint Resolution (HJR) 2 to provide eligible retirees with a one-time stipend and an ad hoc cost-of-living-adjustment (COLA).

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

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

- A one-time $2,400 stipend to eligible annuitants age 70 to 74.

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

- 2% COLA for eligible retirees who retired between September 1, 2013 through August 31, 2020.

- 4% COLA for eligible retirees who retired between September 1, 2001 through August 31, 2013.

- 6% COLA for eligible retirees who retired on or before August 31, 2001.

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

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

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

	Contribution Rates	
	2024	2025
Member	8.25%	8.25%
Non-employer contributing entity (State)	8.25%	8.25%
Employers	8.25%	8.25%

Current fiscal year employer contributions	$ 7,608,037
Current fiscal year member contributions	15,780,797
2024 measurement year NECE on-behalf contributions	11,196,451

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

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

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

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to:

- All public schools, charter schools, and regional educational service centers must contribute 2 percent of the member's salary 2025.
- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

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

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

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

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

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

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

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

Asset Class[1]	Target Allocation[2]	Long-Term Expected Geometric Real Rate of Return[3]	Expected Contribution to 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%
Absolute Return	0.00%	4.00%	0.00%
Stable Value Hedge Funds	5.00%	3.00%	0.20%
Real Return			
Real Estate	15.00%	6.60%	1.20%
Energy, Natural Resources 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[4]			-0.70%
Expected Return	100.00%		7.90%

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

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

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
District's proportionate share of net pension liability	$ 119,812,233	$ 75,011,412	$ 37,890,748

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2025, the District reported a liability of $75,011,412 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	$ 75,011,412
State's proportionate share that is associated with the District	121,363,445
Total	$ 196,374,857

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

At August 31, 2024, the employer's proportion of the collective net pension liability was 0.122800073% which was a decrease of 0.0002637837% from its proportion measured as of August 31, 2023.

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

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

For the year ended June 30, 2025, the District recognized pension expense of $25,155,230 and revenue of $14,504,960 for support provided by the State.

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
Differences between expected and actual economic experience	$ 4,134,527	$ 585,653
Changes in actuarial assumptions	3,873,000	519,237
Difference between projected and actual investment earnings	455,968	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	4,603,039	740,822
Contributions paid to TRS subsequent to the measurement date	6,273,360	-
Total as of fiscal year-end	$ 19,339,894	$ 1,845,712

$6,273,360 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending June 30, 2026. Other amounts reported as 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	$ 1,404,827
2027	9,336,094
2028	1,847,875
2029	(1,604,927)
2030	236,953

M. <u>Defined Other Post-Employment Benefit Plan</u>

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

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

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

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

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

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

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

Contributions. Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions, and contributions from the state, active employees, and participating employers are based on active employee compensation. The TRS Board 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 percent of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65 percent of salary. Section 1575.204 establishes a public school contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the employer. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act, which is 0.75 percent of each active employee's pay for fiscal year 2024. The following table shows contributions to the TRS-Care plan by type of contributor.

	Contribution Rates	
	2024	2025
Active employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding Remitted by Employers	1.25%	1.25%
Current fiscal year employer contributions		$ 1,562,185
Current fiscal year member contributions		1,246,983
2024 measurement year NECE on-behalf contributions		1,897,785

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether they participate in the TRS-Care OPEB program). When hiring a TRS retiree, employers are required to pay TRS-Care a monthly surcharge of $535 per retiree.

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

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

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

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

Additional Actuarial Methods and Assumptions

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

Discount Rate - A single discount rate of 3.87 percent was used to measure the total OPEB liability. This was a decrease of 0.26 percent in the discount rate since the previous year.

Because the investments are held in cash and there is no intentional objective to advance fund the benefits, the Single Discount Rate is equal to the prevailing municipal bond rate.

The source of the municipal bond rate is the Bond Buyer's "20-Bond GO Index" as of August 31, 2024, using the Fixed Income Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

Discount Rate Sensitivity Analysis - The following schedule shows the impact of the net OPEB liability if the discount rate used was 1 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%)	Discount Rate (3.87%)	1% Increase in Discount Rate (4.87%)
Proportionate share of net OPEB liability	$ 60,126,033	$ 50,609,148	$ 42,919,362

Healthcare Cost Trend Rates Sensitivity Analysis. The following schedule shows the impact of the net OPEB liability if a healthcare trend rate that is 1% less than and 1% greater than the health trend rates assumed.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Proportionate share of net OPEB liability	$ 41,213,637	$ 50,609,148	$ 62,852,435

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB - At June 30, 2025, the District reported a liability of $50,609,148 for its proportionate share of the TRS's net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	$ 50,609,148
State's proportionate share that is associated with the District	63,412,576
Total	$ 114,021,724

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

At August 31, 2024 the employer's proportion of the collective Net OPEB Liability was 0.1667433051%, which was a decrease of 0.0000578621% from its proportion measured as of August 31, 2023.

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

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

- The tables used to model the impact of aging on the underlying claims were revised.

For the year ended June 30, 2025, the District recognized OPEB expense of ($12,453,642) and revenue of ($8,242,465) for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experiences	$ 9,700,075	$ 25,256,709
Changes in actuarial assumptions	6,477,373	16,513,179
Differences between projected and actual investment earnings	-	141,722
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	9,384,252	27,361
Contributions paid to OPEB subsequent to the measurement date	1,298,204	-
Total as of fiscal year-end	$ 26,859,904	$ 41,938,971

The District recognized $1,298,204 as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the measurement year ended June 30, 2026. The other amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year Ended June 30,	OPEB Expense
2026	$ (5,262,301)
2027	(2,970,162)
2028	(4,211,984)
2029	(3,480,494)
2030	(1,603,749)
Thereafter	1,151,419

N. Medicare Part D – On-behalf Payments

The Medicare Prescription Drug, Improvement and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of those provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug expenditures for eligible TRS-Care participants. These on-behalf payments of $1,232,380, $1,005,070, and $964,812 were recognized for the years ended June 30, 2025, 2024, and 2023, respectively, as equal revenues and expenditures.

The District recognizes as revenues and expenditures retiree drug subsidy reimbursements under the provisions of Medicare Part D made by the federal government to TRS on behalf of the District. For the year ended June 30, 2025, reimbursements of $1,232,380 were received by TRS and allocated to the District.

O. 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 $445 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay for any amount above the District contribution. All premiums were paid to TRS acting on behalf of the licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

P. Risk Management

The District's risk management program includes coverages through third party insurance providers for property, automobile liability, school professional liability, crime, workers compensation and other miscellaneous bonds. During the year ended June 30, 2025, there were no significant reductions in insurance coverage from coverage in the prior year. Losses in excess of the various deductible levels are covered through traditional indemnity coverage for buildings and contents, and vehicle liability with various insurance firms. Settled claims have not exceeded insurance limits for the past three years.

Q. Commitments and Contingencies

The District participates in a number of federal financial assistance programs. Although the District's grant programs have been audited in accordance with the provisions of the Uniform Guidance for the year ended June 30, 2025, these programs are subject to financial and compliance audits. The amounts, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, to be immaterial. In September 2017, the District entered into a joint access and use agreement with the YMCA of Austin ("YMCA") whereas the District is entitled to use of a natatorium for thirty years in return for a $5 million contribution that was used by the YMCA towards construction of said natatorium. Construction was completed in fiscal year 2020. The construction contribution will be expensed over the thirty years the District has access to the natatorium. As of June 30, 2025, $4,165,666 is recorded as a prepaid item on the balance sheet.

As of June 30, 2025, the District is also committed under construction contracts with a remaining balance of $54,008,636.

Projects	Spent-to-Date	Remaining Commitment
Wallace Renovations	$ 13,735,968	$ 362,999
Hays ES #17	47,095,409	5,936,094
Building Package 5 - DMS	7,578,965	106,656
Building Package 5 - WMS	4,019,923	1,844,757
Hays Playground Renovations	1,819,035	413,928
HHS Site Improvements	894,597	1,399,683
HHS Site Improvements General Fund	440,468	1,049,394
HHS Site Improvements - Canopy & Pond	803,093	998,593
HHS Site Improvements - New Weight Room	6,682,200	-
BMS	630,000	552,407
PAC	630,000	912,602
LHS FA Additions - Academics	6,272,882	934,056
LHS FA Additions - Fine Arts	29,122,143	14,710,761
LHS FA Additions - Drive & Parking	2,569,572	27,360
JHS - Adds and Renovations	30,495,352	18,787,419
Hemphill Renovations	244,224	115,086
Elm Grove ES	241,580	114,749
Tom Green ES	148,024	508,818
Kyle ES	1,023,947	750,999
Pfluger ES	2,238,956	2,505,273
Academic Support Center	46,048,542	1,977,002
Tobias BPA12	4,824,009	-
Impact BPA 12	378,221	-
Impact BPA 11	1,212,000	-
Totals	$ 209,149,110	$ 54,008,636

R. Change in Accounting Principle

During fiscal year 2025, the District implemented GASB Statement No. 101, *Compensated Absences.* The adoption of this standard resulted in the recognition of additional liabilities for compensated absences. The cumulative effect of the accounting change increased compensated absences liabilities and beginning net position by $3,883,420 in the Governmental Activities, as of the beginning of fiscal year 2025.

S. Subsequent Events

On August 4, 2025, the District issued $460,335,000 in Unlimited Tax School Building Bonds, Series 2025. The bonds bear interest at rates ranging from 5.00% to 5.25% with maturities beginning in 2026 through 2055. The proceeds of the issuance will be used to construction of new campuses, expand existing campuses, purchase land and vehicles, district wide updates, and to pay costs of issuance.

T. <u>New Accounting Standards</u>

Significant new accounting standards issued by the Governmental Accounting Standards Board (GASB) not yet implemented by the District include the following:

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

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

U. <u>Expenditures Exceeding Appropriations</u>

In the General Fund, expenditures exceeded appropriations in the Instruction, Community Services, and Principal functions in the amounts of $5,386,699, $2,068,111, and $215,959, respectively. The overages were covered by higher than expected revenues

APPENDIX D

FORM OF LEGAL OPINION OF BOND COUNSEL

orrick

Orrick, Herrington & Sutcliffe LLP
200 West 6th Street
Suite 2250
Austin, Texas 78701
orrick.com

FORM OF BOND COUNSEL OPINION

____________, 2026

Hays Consolidated Independent School District
Unlimited Tax School Building Bonds, Series 2026A

We have acted as bond counsel to Hays Consolidated Independent School District (the "Issuer") in connection with the issuance of its Unlimited Tax School Building Bonds, Series 2026A (the "Bonds"), dated August 1, 2026, in the aggregate principal amount of $253,730,000. The Bonds are authorized by a bond order (the "Bond Order") adopted by the Board of Trustees of the Issuer authorizing their issuance and in the pricing certificate executed pursuant to the Bond Order (the "Pricing Certificate" and, together with the Bond Order, the "Order"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Order.

In such connection, we have reviewed a transcript of certain certified proceedings pertaining to the issuance of the Bonds, including the Order, the tax certificate of the Issuer, dated the date hereof (the "Tax Certificate"), certificates of the Issuer and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

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 original delivery of the Bonds on 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 original delivery of the Bonds on 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 that each document and each signature thereon provided to us is genuine and that each such document has been duly and legally executed by, and constitutes a valid and binding agreement of, each party thereto other than the Issuer. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Order and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Order and the Tax

Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against governmental entities such as the Issuer 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 undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no view with respect thereto. Finally, our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

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

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

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

(3) Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. We observe that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Bonds.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

Orrick, Herrington & Sutcliffe LLP
200 West 6th Street
Suite 2250
Austin, Texas 78701
orrick.com

FORM OF BOND COUNSEL OPINION

____________, 2026

Hays Consolidated Independent School District
Unlimited Tax Refunding Bonds, Series 2026B

We have acted as bond counsel to Hays Consolidated Independent School District (the "Issuer") in connection with the issuance of its Unlimited Tax Refunding Bonds, Series 2026B (the "Bonds"), dated August 1, 2026, in the aggregate principal amount of $21,495,000. The Bonds are authorized by a bond order (the "Bond Order") adopted by the Board of Trustees of the Issuer authorizing their issuance and in the pricing certificate executed pursuant to the Bond Order (the "Pricing Certificate" and, together with the Bond Order, the "Order"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Order.

We have acted as Bond Counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas. 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 UMB Bank, N.A., Austin, Texas (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 original delivery of the Bonds on 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 original delivery of the Bonds on 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 that each document and each signature thereon provided to us is genuine and that each such document has been duly and legally executed by, and constitutes a valid and binding agreement of, each party thereto other than the Issuer. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Order and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Order and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against governmental entities such as the Issuer 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 undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no view with respect thereto. Finally, our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

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

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

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

3. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. We observe that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. We express no opinion regarding

other tax consequences related to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Bonds.

4. The escrow agreement between the Issuer 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 as set forth in the orders 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.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

APPENDIX E

THE TEXAS PERMANENT SCHOOL FUND GUARANTEE PROGRAM

(Dated: February 26, 2026)

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

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

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

The regular session of the 89th Texas Legislature (the "Legislature") convened on January 14, 2025, and concluded on June 2, 2025. The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Governor called a first special session, which began on July 21, 2025, and ended on August 15, 2025. The Governor called a second special session, which began on August 15, 2025, and ended on September 4, 2025 (the regular session together with the special sessions may hereinafter be referred to as the "89^{th} 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 89^{th} Legislative Session that may materially impact themselves, the Guarantee Program, the Act, and Texas school finance in general.

History and Purpose

The PSF supports the State's public school system in two major ways: distributions to the constitutionally established Available School Fund (the "ASF"), as described below, and the guarantee of school district and charter district issued bonds through the Guarantee Program. The PSF was created in 1845 and received its first significant funding with a $2,000,000 appropriation by the Legislature in 1854 expressly for the benefit of the public schools of Texas, with the sole purpose of assisting in the funding of public education for present and future generations. The

Constitution of 1876 described that the PSF would be "permanent," and stipulated that certain lands and all proceeds from the sale of these lands should also constitute the PSF. Additional acts later gave more public domain land and rights to the PSF. In 1953, the U.S. Congress passed the Submerged Lands Act that relinquished to coastal states all rights of the U.S. navigable waters within state boundaries. If the State, by law, had set a larger boundary prior to or at the time of admission to the Union, or if the boundary had been approved by Congress, then the larger boundary applied. After three years of litigation (1957-1960), the U.S. Supreme Court on May 31, 1960, affirmed Texas' historic three marine leagues (10.35 miles) seaward boundary. Texas proved its submerged lands property rights to three leagues into the Gulf of Mexico by citing historic laws and treaties dating back to 1836. All lands lying within that limit belong to the PSF. The proceeds from the sale and the mineral-related rental of these lands, including bonuses, delay rentals and royalty payments, become the corpus of the Fund. Prior to the approval by the voters of the State of an amendment to the constitutional provision under which the Fund was established and administered, which occurred on September 13, 2003 (the "Total Return Constitutional Amendment"), and which is further described below, only the income produced by the PSF could be used to complement taxes in financing public education, which primarily consisted of income from securities, capital gains from securities transactions, and royalties from the sale of oil and natural gas. The Total Return Constitutional Amendment provides that interest and dividends produced by Fund investments will be additional revenue to the PSF.

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

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

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

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

General (the “Attorney General”) been requested to issue an opinion, with respect to its constitutional validity.

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

Management and Administration of the Fund

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

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

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

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

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

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

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

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

The Total Return Constitutional Amendment

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

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

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

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

Annual Distributions to the Available School Fund[1]

Fiscal Year Ending	2016	2017	2018	2019	2020	2021	2022	2023[2]	2024	2025
PSF(CORP) Distribution	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$2,076	$2,156	$2,156
PSF(SBOE) Distribution	1,056	1,056	1,236	1,236	1,102	1,102	1,731	-	-	-
PSF(SLB) Distribution	-	-	-	300	600	600[3]	415	115	-	-
Per Student Distribution	215	212	247	306	347	341	432	440	430	428

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

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

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

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

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

PSF Corporation Strategic Asset Allocation

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

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

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

Asset Class	Target Allocation	Range[1]
Cash Equivalent	3.0%	n/a
Core Bonds	9.0%	+/- 5.0%
Non-Core Bonds (High Yield)	3.0%	+/- 5.0%
Non-Core Bonds (Bank Loans)	3.0%	+/- 5.0%
Large Cap U.S. Equity	15.0%	+/- 5.0%
Small/Mid-Cap U.S. Equity	3.0%	+/- 5.0%
Non-U.S. Developed Equity	8.0%	+/- 5.0%
Absolute Return	6.0%	+/- 5.0%
Private Debt (Liquid Substitute)	9.5%	+/- 5.0%
Private Equity (Liquid Substitute)	20.0%	+/- 10.0%
Real Estate	10.5%	+/- 5.0%
Natural Resources	4.0%	+/- 5.0%
Infrastructure	6.0%	+/- 5.0%

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

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

Comparative Investment Schedule – PSF(CORP)

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

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

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

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

Investment Schedule - PSF(SLB)[1]

Fair Value (in millions) August 31, 2025

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

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

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

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

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

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

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

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

The School District Bond Guarantee Program

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

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

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

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

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

The Charter District Bond Guarantee Program

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

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

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

In accordance with the Act, the Education Commissioner may not approve charter district bonds for guarantee if such guarantees will result in lower bond ratings for public school district bonds that are guaranteed under the School District Bond Guarantee Program. To be eligible for a guarantee, the Act provides that a charter district's bonds must be approved by the Attorney

General, have an unenhanced investment grade rating from a nationally recognized investment rating firm, and satisfy a limited investigation conducted by the TEA.

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

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

The CDBGP Rules provide that the PSF may be used to guarantee bonds issued for the acquisition, construction, repair, or renovation of an educational facility for an open-enrollment charter holder and equipping real property of an open-enrollment charter school and/or to refinance promissory notes executed by an open-enrollment charter school, each in an amount in excess of $500,000 the proceeds of which loans were used for a purpose described above (so-called new money bonds) or for refinancing bonds previously issued for the charter school that were approved by the Attorney

General (so-called refunding bonds). Refunding bonds may not be guaranteed under the Charter District Bond Guarantee Program if they do not result in a present value savings to the charter holder.

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

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

Capacity Limits for the Guarantee Program

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

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

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

Changes in SBOE-determined multiplier for State Capacity Limit

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

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

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

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

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

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

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

2017 Legislative Changes to the Charter District Bond Guarantee Program

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

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

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

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

Charter District Risk Factors

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

Other than credit support for charter district bonds that is provided to qualifying charter districts by the Charter District Bond Guarantee Program, State funding for charter district facilities construction is limited to a program established by the Legislature in 2017, which provides $60 million per year for eligible charter districts with an acceptable performance rating for a variety of funding purposes, including for lease or purchase payments for instructional facilities. Since State funding for charter facilities is limited, charter schools generally issue revenue bonds to fund facility construction and acquisition, or fund facilities from cash flows of the school. Some charter districts have issued non-guaranteed debt in addition to debt guaranteed under the Charter District Bond Guarantee Program, and such non-guaranteed debt is likely to be secured by a deed of trust covering all or part of the charter district's facilities. In March 2017, the TEA began requiring charter districts to provide the TEA with a lien against charter district property as a condition to receiving a guarantee under the Charter District Bond Guarantee Program. However, charter district bonds issued and guaranteed under the Charter District Bond Guarantee Program prior to the implementation of the new requirement did not have the benefit of a security interest in real property, although other existing debts of such charter districts that are not guaranteed under the Charter District Bond Guarantee Program may be secured by real property that could be foreclosed on in the event of a bond default.

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

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

Ratings of Bonds Guaranteed Under the Guarantee Program

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

Valuation of the PSF and Guaranteed Bonds

Permanent School Fund Valuations

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

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

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

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

Permanent School Fund Guaranteed Bonds

At 8/31	Principal Amount[1]
2021	95,259,161,922
2022	103,239,495,929
2023	115,730,826,682
2024	125,815,981,603
2025	143,940,955,098[2]

[1] Represents original principal amount; does not reflect any subsequent accretions in value for compound interest bonds (zero coupon securities). The amount shown excludes bonds that have been refunded and released from the Guarantee Program. The TEA does not maintain records of the accreted value of capital appreciation bonds that are guaranteed under the Guarantee Program.
[2] At August 31, 2025 (the most recent date for which such data is available), the TEA expected that the principal and interest to be paid by school districts and charter districts over the remaining life of the bonds guaranteed by the Guarantee Program was $230,761,751,555, of which $86,820,796,457 represents interest to be paid. As shown in the table above, at August 31, 2025, there were $143,940,955,098 in principal amount of bonds guaranteed under the Guarantee Program. Using the State Capacity Limit of $181,696,286,251 (the State Capacity Limit is currently the Capacity Limit), net of the Capacity Reserve, as of December 31, 2025, 7.86% of the Guarantee Program's capacity was available to the Charter District Bond Guarantee Program. As of December 31, 2025, the amount of outstanding bond guarantees represented 79.16% of the Capacity Limit (which is currently the State Capacity Limit). December 31, 2025 values are based on unaudited data, which is subject to adjustment.

Permanent School Fund Guaranteed Bonds by Category[1]

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

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

the projected guarantee capacity available was $32,174,623,697 (based on unaudited data, which is subject to adjustment).

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

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

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

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

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

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

Portfolio	Return	Benchmark Return[2]
Total PSF(CORP) Portfolio	8.20	7.78
Domestic Large Cap Equities	14.50	15.88
Domestic Small/Mid Cap Equities	7.64	5.80
International Equities	16.16	14.89
Private Credit	6.87	9.26
Core Bonds	4.02	3.14
Absolute Return	14.98	6.90
Real Estate	0.14	0.97
Private Equity	8.17	8.61
High Yield	8.18	8.26
Natural Resources	2.31	0.39
Infrastructure	15.06	8.79
Bank Loans	7.76	7.36
Short Term Investment Portfolio	6.06	4.51

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

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

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

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

Other Events and Disclosures

State ethics laws govern the ethics and disclosure requirements for financial advisors and other service providers who advise certain State governmental entities, including the PSF. The SBOE code of ethics provides ethical standards for SBOE members, the Education Commissioner, TEA staff, and persons who provide services to the SBOE relating to the Fund. The PSF Corporation developed its own ethics policy that provides basic ethical principles, guidelines, and standards of conduct relating to the management and investment of the Fund in accordance with the requirements of §43.058 of the Texas Education Code, as amended. The SBOE code of ethics is codified in the Texas Administrative Code at 19 TAC sections 33.4 et seq. and is available on the

TEA web site at https://tea.texas.gov/sites/default/files/ch033a.pdf. The PSF Corporation's ethics policy is posted to the PSF Corporation's website at texaspsf.org.

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

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

PSF Continuing Disclosure Undertaking

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

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

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

Annual Reports

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

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

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

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

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

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

Event Notices

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

Availability of Information

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

Limitations and Amendments

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

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

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

Compliance with Prior Undertakings

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

SEC Exemptive Relief

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