

OFFICIAL STATEMENT

Dated July 7, 2026

Ratings:

S&P: "AAA" (PSF) / "A"
(See "OTHER INFORMATION –
Ratings" & "APPENDIX D - THE
PERMANENT SCHOOL FUND
GUARANTEE PROGRAM" herein)

NEW ISSUE - Book-Entry-Only

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

\$11,165,000
JOSHUA INDEPENDENT SCHOOL DISTRICT
(Johnson County, Texas)
UNLIMITED TAX REFUNDING BONDS, SERIES 2026

Dated: August 1, 2026

(Interest accrues from Delivery Date, defined below)

Due: As shown on Page 2

PAYMENT TERMS . . . Interest on the \$11,165,000 Joshua Independent School District Unlimited Tax Refunding Bonds, Series 2026 (the "Bonds") will accrue from the Delivery Date (defined below) to the initial purchasers thereof named below (the "Underwriters"), will be payable initially on August 15, 2026 and each February 15 and August 15 thereafter, until stated maturity and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued as fully registered obligations in the denominations of \$5,000 of principal amount or any integral multiple thereof for any one stated maturity. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in authorized denominations thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. The principal and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is U.S. Bank Trust Company, National Association, Houston, Texas (see "THE BONDS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including Chapter 1207, Texas Government Code, as amended, and an order (the "Bond Order") passed by the Board of Trustees (the "Board") of the Joshua Independent School District (the "District") on May 18, 2026, in which the Board delegated to an officer of the District (the "Pricing Officer") authority to complete the sale of the Bonds through the execution of a "Pricing Certificate" (the Bond Order and Pricing Certificate are jointly referred to as the "Order"). The Pricing Certificate was executed by the Pricing Officer on July 7, 2026, which completed the sale of the Bonds. The Bonds are direct obligations of the District, payable from an annual ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property located within the District, as provided in the Order authorizing the issuance of the Bonds (see "THE BONDS - Authority for Issuance"). **The District has received conditional approval for the payment of the Bonds to be guaranteed by the Permanent School Fund of Texas (see "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").**

MATURITY SCHEDULE

See page 2

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

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

DELIVERY . . . It is expected that the Bonds will be available for delivery through the facilities of DTC on or about August 4, 2026 (the "Delivery Date").

BOK FINANCIAL SECURITIES, INC.

STEPHENS INC.

\$11,165,000
JOSHUA INDEPENDENT SCHOOL DISTRICT
(Johnson County, Texas)
UNLIMITED TAX REFUNDING BONDS, SERIES 2026

CUSIP ⁽¹⁾ Prefix: 481052

MATURITY SCHEDULE

Principal Amount	Maturity 8/15	Interest Rate	Initial Yield	CUSIP ⁽¹⁾
\$ 2,330,000	2026	5.000%	2.520%	VU9
***	***	***	***	***
***	***	***	***	***
1,415,000	2029	5.000%	2.660%	VV7
1,475,000	2030	5.000%	2.750%	VW5
1,555,000	2031	5.000%	2.840%	VX3
1,630,000	2032	5.000%	2.950%	VY1
2,760,000	2033	5.000%	3.010%	VZ8

(Interest to accrue from Delivery Date)

NO OPTIONAL REDEMPTION . . . The Bonds shall not be subject to redemption prior to their respective maturities at the option of the District as provided herein. (see "THE BONDS – No Optional Redemption").

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USE OF INFORMATION IN THE OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized by the District or the Underwriters to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the District or the Underwriters. This Official Statement does not constitute an offer to sell Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction.

Certain information set forth herein has been obtained from the District and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Financial Advisor or the Underwriters. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. See "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM – PSF Continuing Disclosure Undertaking" and "CONTINUING DISCLOSURE INFORMATION" for a description of the undertakings of the Texas Education Agency (the "TEA") and the District, respectively, to provide certain information on a continuing basis.

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

The cover page contains certain information for general reference only and is not intended as a summary of this offering. Investors should read the entire Official Statement, including the schedule and appendices attached hereto, to obtain information essential to making an informed investment decision.

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

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

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

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

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

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

OFFICIAL STATEMENT SUMMARY

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

THE DISTRICT	The Joshua Independent School District (the "District") is a political subdivision located in Johnson County, Texas. The District is governed by a seven-member Board of Trustees (the "Board"). Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools who is the chief administrative officer of the District. Support services are supplied by consultants and advisors.
THE BONDS	The \$11,165,000 Unlimited Tax Refunding Bonds, Series 2026 (the "Bonds") mature on August 15 in each of the years 2026 and 2029 through 2033, inclusive. (see "THE BONDS – Description of the Bonds").
PAYMENT OF INTEREST	Interest on the Bonds accrues from the Delivery Date and is payable initially on August 15, 2026 and each February 15 and August 15 thereafter until maturity (see "THE BONDS – Description of the Bonds" and "THE BONDS – No Optional Redemption").
AUTHORITY FOR ISSUANCE	The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including Chapter 1207, Texas Government Code, as amended, and an order (the "Bond Order") passed by the Board on May 18, 2026, in which the Board delegated to an officer of the District (the "Pricing Officer") authority to complete the sale of the Bonds through the execution of a "Pricing Certificate" (the Bond Order and Pricing Certificate are jointly referred to as the "Order"). The Pricing Certificate was executed by the Pricing Officer on July 7, 2026, which completed the sale of the Bonds. (see "THE BONDS - Authority for Issuance").
SECURITY FOR THE BONDS	The Bonds constitute direct obligations of the District, payable from a continuing direct annual ad valorem tax levied by the District, without legal limit as to rate or amount, on all taxable property within the District. Additionally, the District has received conditional approval for the payment of the Bonds to be guaranteed by the corpus of the Permanent School Fund of Texas (see "THE BONDS - Security and Source of Payment").
PERMANENT SCHOOL FUND	
GUARANTEE	The District has made application to the Texas Education Agency and has received conditional approval for payment of the Bonds to be guaranteed by the Permanent School Fund (see "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").
TAX EXEMPTION	In the opinion of Bond Counsel, interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on certain corporations.
REDEMPTION PROVISIONS	The Bonds shall not be subject to redemption prior to their respective maturities at the option of the District as provided herein. (see "THE BONDS – No Optional Redemption").
USE OF PROCEEDS	Proceeds from the sale of the Bonds will be used (i) to refund a portion of the District's outstanding debt (the "Refunded Bonds") for debt service savings (see "PLAN OF FINANCING"; also see Schedule I for a detailed listing of the Refunded Bonds and their call date) and (ii) to pay the costs associated with the issuance of the Bonds.
RATINGS	The Bonds are rated "AAA" by S&P Global Ratings ("S&P") by virtue of the guarantee of the Permanent School Fund of the State of Texas. The Bonds and the presently outstanding debt are rated "A" by S&P without regard to credit enhancement. See "OTHER INFORMATION - Ratings".

BOOK-ENTRY-ONLY

SYSTEM The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 (principal amount) or integral multiples thereof within a maturity. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS - Book-Entry-Only System").

PAYMENT RECORD The District has never defaulted in payment of its tax supported debt.

DISTRICT OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

<u>Board of Trustees</u>	<u>Term Expires</u>	<u>Occupation</u>
Nini Wilson President	May, 2029	Retired
Kevin Lee Vice President	May, 2028	Bank President
Cody Lee Secretary	May, 2027	Realtor
Ronnie Galbreath Board Member	May, 2029	Retired
Ryan Watson Board Member	May, 2027	Retail
Randy Cisneros Board Member	May, 2028	Accountant
Huntter Byrd Board Member	May, 2028	Construction Sales

SELECTED ADMINISTRATIVE STAFF

<u>Name</u>	<u>Position</u>	<u>Length of Service to the District</u>	<u>Length of Service in Education</u>
Corey Hickerson	Superintendent of Schools	6 Years	16 Years
Carla Martin	Chief Financial Officer	2 Years	11 Years

CONSULTANTS AND ADVISORS

Certified Public Accountants Snow Garrett Williams
Weatherford, Texas

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

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

For additional information regarding the District, please contact:

Carla Martin Chief Financial Officer Joshua Independent School District 310 E. 18th Street Joshua, TX 76058 (817) 202-2500, Ext. 1013	or	Erick Macha Managing Director Hilltop Securities Inc. 717 North Harwood Street, Suite 3400 Dallas, Texas 75201 (214) 953-4033
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**OFFICIAL STATEMENT
RELATING TO

\$11,165,000
JOSHUA INDEPENDENT SCHOOL DISTRICT
UNLIMITED TAX REFUNDING BONDS, SERIES 2026**

INTRODUCTION

This Official Statement, which includes the Appendices and Schedule I hereto, provides certain information regarding the issuance of \$11,165,000 Joshua Independent School District Unlimited Tax Refunding Bonds, Series 2026 (the "Bonds").

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

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

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

PLAN OF FINANCING

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

REFUNDED BONDS . . . The Refunded Bonds are being called for redemption on August 4, 2026 (the "Redemption Date"). The principal of and interest due on the Refunded Bonds are to be paid on the Redemption Date from funds to be deposited with U.S. Bank Trust Company, National Association, Houston, Texas, the paying agent/registrar for the Refunded Bonds (the "Refunded Bonds' Paying Agent"). The Order provides that proceeds from the sale of the Bonds will be irrevocably deposited with the Refunded Bonds' Paying Agent in an amount sufficient to accomplish the discharge and final payment of the Refunded Bonds on the Redemption Date. Such funds will be held uninvested by the Refunded Bonds' Paying Agent pending their disbursement to redeem the Refunded Bonds on the Redemption Date. By the deposit with the Refunded Bonds' Paying Agent, the District will have effected the defeasance of all of the Refunded Bonds in accordance with applicable law, and the Refunded Bonds will be outstanding only for the purpose of receiving payments from the Refunded Bonds' Paying Agent and will not be deemed as being outstanding Bonds of the District payable from taxes or other revenues nor for the purpose of applying any limitation on the issuance of debt. The Refunded Bonds' Paying Agent will execute a certificate (the "Sufficiency Certificate") stating that the amount initially deposited therewith is sufficient to pay the principal of and interest on the Refunded Bonds on the Redemption Date. Upon defeasance of the Refunded Bonds, the payment of such Refunded Bonds will no longer be guaranteed by the corpus of the Permanent School Fund.

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds will be dated August 1, 2026. The Bonds will accrue interest from the Delivery Date, and such interest is payable initially on August 15, 2026, and on each February 15 and August 15 thereafter, until stated maturity. The Bonds will mature on the dates, in the principal amounts, and will bear interest at the rates set forth on page 2 of this Official Statement, and such interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Interest on the Bonds is payable to the registered owner appearing on the bond registration books of the Paying Agent/Registrar on the Record Date (as defined below) and such interest shall be paid by the Paying Agent/Registrar (i) by check sent by United States Mail, first class postage prepaid, to the address of the registered owner recorded in the bond register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. The principal of the Bonds is payable at maturity upon their presentation and surrender to the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments will be made as described under "THE BONDS - Book-Entry-Only System" herein.

The Bonds will be issued only in fully registered form and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. The Bonds will be issued in denominations of \$5,000 of principal amount or any integral thereof within a stated maturity. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** The principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS - Book-Entry-Only System" herein.

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including Chapter 1207 Texas Government Code, as amended, and an order (the "Bond Order") passed by the Board on May 18, 2026, in which the Board delegated to an officer of the District (the "Pricing Officer") authority to complete the sale of the Bonds through the execution of a "Pricing Certificate" (the Bond Order and Pricing Certificate are jointly referred to as the "Order"). The Pricing Certificate was executed by the Pricing Officer on July 7, 2026, which completed the sale of the Bonds.

SECURITY AND SOURCE OF PAYMENT . . . All taxable property within the District is subject to a continuing direct annual ad valorem tax levied by the District, without legal limit as to rate or amount, sufficient to provide for the payment of principal of and interest on the Bonds. See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" herein. Additionally, the District has applied for and has received conditional approval for the payment of the Bonds to be guaranteed by the Permanent School Fund of Texas.

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

NO OPTIONAL REDEMPTION . . . The Bonds shall not be subject to redemption prior to their respective maturities at the option of the District.

DTC NOTICES . . . The Paying Agent/Registrar and the District, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of proposed amendment to the Order or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of any action premised on any such notice. Neither the District nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice. See "THE BONDS - BOOK-ENTRY-ONLY SYSTEM " herein.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the District or the Paying Agent/Registrar; disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

Effect of Termination of Book-Entry-Only System. In the event that the Book-Entry-Only System is discontinued, printed certificates will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Order and summarized under "THE BONDS - Transfer, Exchange and Registration" below.

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

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

In the event the Book-Entry-Only System should be discontinued, interest on the Bonds will be payable to the registered owner appearing on the bond registration books of the Paying Agent/Registrar on the Record Date (as defined below) and such interest shall be paid by the Paying Agent/Registrar (i) by check sent United States Mail, first class postage prepaid, to the address of the registered owner recorded in the bond register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. The principal of the Bonds is payable at maturity upon their presentation and surrender to the Paying Agent/Registrar. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the designated corporate office of the Paying Agent/Registrar is located is authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due. So long as Cede & Co. is the registered owner of the Bonds, payments of the principal and interest on the Bonds will be made as described in "THE BONDS – Book-Entry-Only System."

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, printed Bond certificates will be delivered to registered owners and thereafter the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender of such printed certificates to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See "THE BONDS - Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. The Paying Agent/Registrar shall not be required to make any transfer or exchange of any Bonds during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date.

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for the interest payable on the Bonds on any interest payment date means the close of business on the last business day of the preceding month; provided, however, that the Record Date for the August 15, 2026 interest payment shall be the Delivery Date.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

BONDHOLDERS' REMEDIES . . . The Order specifies events of default as the failure of the District to make payment of the principal of or interest on any of the Bonds when the same becomes due and payable or default in the performance or observance of any other covenant, agreement or obligation of the District, which failure materially, adversely affects the rights of the registered owners, including, but not limited to, their prospect or ability to be repaid in accordance with the Order, and the continuation thereof for a period of 60 days after notice of such default is given by any registered owner to the District. Upon an event of default, the registered owners may seek a writ of mandamus to compel District officials to carry out their legally imposed duties with respect to the Bonds, if there is no other available remedy at law to compel performance of the Bonds or the Order covenants and the District's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the District to perform in accordance with the terms of the Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court has ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Chapter 1371, Texas Government Code ("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 its bonds, but in connection with the issuance of the Bonds, the District is not using Chapter 1371 and has not waived sovereign immunity pursuant to Chapter 1371. As a result, Bondholders may not be able to bring such a suit against the District for breach of the Bonds or Order covenants. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its

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

SOURCES AND USES OF PROCEEDS . . . The proceeds from the sale of the Bonds will be applied approximately as follows:

Sources of Funds	
Par Amount of the Bonds	\$ 11,165,000.00
Original Issue Premium	908,662.20
Total Sources of Funds	<u>\$ 12,073,662.20</u>
Uses of Funds	
Deposit with Refunded Bonds' Paying Agent	\$ 11,868,334.86
Costs of Issuance and Underwriters' Discount	204,550.55
Deposit to Debt Service Fund	776.79
Total Uses of Funds	<u>\$ 12,073,662.20</u>

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

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

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

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

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

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

OVERVIEW

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

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

2025 LEGISLATIVE SESSION

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

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

LOCAL FUNDING FOR SCHOOL DISTRICTS

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

State Compression Percentage. The “State Compression Percentage” or “SCP” is a statutorily-defined percentage of the rate of \$1.00 per \$100 that is used to determine a school district’s Maximum Compressed Tax Rate (described below). The SCP is the lesser of three alternative calculations: (i) 93% or a lower percentage set by appropriation for a school year; (ii) a percentage

determined by formula if the estimated total taxable property value of the State (as submitted annually to the Legislature by the State Comptroller) has increased by at least 2.5% over the prior year; and (iii) the prior year SCP. For any year, the maximum SCP is 93%. For the State fiscal year ending in 2026, the SCP is set at 63.22%.

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

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

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

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

STATE FUNDING FOR SCHOOL DISTRICTS

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

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

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

Tier One and Tier Two allotments represent the State's share of the cost of M&O expenses of school districts, with local M&O taxes representing the school district's local share. EDA and IFA allotments supplement a school district's local I&S taxes levied for debt service on eligible bonds issued to construct, acquire and improve facilities, provided that a school district qualifies for

such funding and that the Legislature makes sufficient appropriations to fund the allotments for a State fiscal biennium. Tier One and Tier Two allotments and existing EDA and IFA allotments are generally required to be funded each year by the State Legislature.

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

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

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

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

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

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

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

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

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

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

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

LOCAL REVENUE LEVEL IN EXCESS OF ENTITLEMENT

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

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

Options for Local Revenue Levels in Excess of Entitlement. Under Chapter 49, a school district has six (6) options to reduce local revenues to a level that does not exceed the school district's respective entitlements: (1) a school district may consolidate by agreement with one or more school districts to form a consolidated school district; all property and debt of the consolidating school districts vest in the consolidated school district; (2) a school district may detach property from its territory for annexation by a property-poor school district; (3) a school district may purchase attendance credits from the State; (4) a school district may contract to educate nonresident students from a property-poor school district by sending money directly to one or more property-poor school districts; (5) a school district may execute an agreement to provide students of one or more other school districts with career and technology education through a program designated as an area program for career and technology education; or (6) a school district may consolidate by agreement with one or more school districts to form a consolidated taxing school district solely

to levy and distribute either M&O taxes or both M&O taxes and I&S taxes. A Chapter 49 school district may also exercise any combination of these remedies. Options (3), (4) and (6) require prior approval by the Chapter 49 school district's voters. A district that enters into an agreement to exercise an option to reduce the district's local revenue level in excess of entitlement under options (3), (4), or (5) for the 2025-2026 school year and that has not previously held an election to exercise said options may request and may receive approval from the Commissioner to delay the date of the election otherwise required to be ordered before September 1. The Commissioner shall set a date by which each district that receives approval to delay an election must order the election and requires the Commissioner, not later than the 2026-2027 school year, to order detachment and annexation of district property or consolidation as necessary to reduce the district's excess local revenue to the level established by law for a district that receives approval to delay an election and subsequently fails to hold the election or does not receive voter approval at the election. A district that receives approval of a request to delay the date of an election shall pay for credit purchased in equal monthly payments as determined by the Commissioner beginning March 15, 2026, and ending August 15, 2026. Alternatively, the district may pay for credit purchased with one lump sum payment made not later than August 15, 2026, provided that the district notifies the Commissioner of the district's election to pay through a lump sum not later than March 15, 2026.

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT

For the 2025-2026 fiscal year, the District was not designated as an "excess local revenue" district by the TEA. Accordingly, the District has not been required to exercise one of the wealth equalization options permitted under applicable State law. As a district with wealth per student less than the equalized wealth value, the District may benefit in the future by agreeing to accept taxable property or funding assistance from, or agreeing to consolidate with, a designated excess local revenue district to enable such district to reduce its wealth per student to the permitted level.

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

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

AD VALOREM PROPERTY TAXATION

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

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

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property.

State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property.

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

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

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

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

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

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

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

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

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

Certain goods, that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days ("Goods-in-Transit"), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and

Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer's motor vehicle, boat, or heavy equipment inventory.

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

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

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

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

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

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

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

In the 88th Legislative Session, House Bill 5 ("HB 5" or "The Texas Jobs, Energy, Technology, and Innovation Act") was adopted to create an economic development program, subject to state oversight, which would attract jobs and investment to Texas through school district property tax abatement agreements with businesses. HB5 was codified as Chapter 403, Subchapter T, Texas Government Code ("Chapter 403") and had an effective date of January 1, 2024. Under Chapter 403, a school district may offer a 50% abatement on taxable value for maintenance and operations property taxes for certain eligible projects, except that projects in a federally designated economic opportunity zone receive a 75% abatement. Chapter 403 also provides a 100% abatement of maintenance and operations taxes for eligible property during a project's construction period. Taxable valuation for purposes of the debt service tax securing a series of bonds cannot be abated under Chapter 403. Eligible projects must involve manufacturing, dispatchable power generation facilities, technology research/development facilities, or critical infrastructure projects and projects must create and maintain jobs, as well as meet certain minimum investment requirements. The District is

still in the process of reviewing Chapter 403 and cannot make any representations as to what impact, if any, Chapter 403 will have on its finances or operations.

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

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

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

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

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

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

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

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

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

TAX RATE LIMITATIONS

M&O TAX RATE LIMITATIONS . . . The District is authorized to levy an M&O tax rate pursuant to the approval of the voters of the District at an election held on February 6, 1960, in accordance with the provisions of Article 2784e-1, Texas Revised Civil Statutes, as amended.

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

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

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

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

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

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

The Voter-Approval Tax Rate for a school district is the sum of (i) the school district's MCR; (ii) the greater of (a) the school district's Enrichment Tax Rate for the preceding year, or (b) the rate of \$0.05 per \$100 of taxable value; and (iii) the school district's current I&S tax rate. A school district's M&O tax rate may not exceed the rate equal to the sum of (i) \$0.17 and (ii) the school district's MCR (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" herein for more information regarding the State Compression Percentage, MCR, and the Enrichment Tax Rate).

The governing body of a school district generally cannot adopt a tax rate exceeding the school district's Voter-Approval Tax Rate without approval by a majority of the voters approving the higher rate at an election to be held on the next uniform election date. Further, subject to certain exceptions for areas declared disaster areas, State law requires the board of trustees of a school district to conduct an efficiency audit before seeking voter approval to adopt a tax rate exceeding the Voter-Approval Tax Rate and sets certain parameters for conducting and disclosing the results of such efficiency audit. An election is not required for a tax increase

to address increased expenditures resulting from certain natural disasters in the year following the year in which such disaster occurs; however, the amount by which the increased tax rate exceeds the school district's Voter-Approval Tax Rate for such year may not be considered by the school district in the calculation of its subsequent Voter-Approval Tax Rate.

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

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

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

DISTRICT APPLICATION OF TAX CODE . . . The State mandates exemptions of \$140,000 for general homestead and an additional homestead exemption of \$60,000 for persons who are aged 65 and over or disabled. The District does not grant an additional local option exemption to the market value of the residence homestead of persons who are 65 years of age or older or disabled.

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

The Appraisal District is governed by a board of directors, certain members of which are appointed by the governing bodies of various political subdivisions that participate in the Appraisal District and certain of which are elected by voters within Johnson County.

The District does not collect its own taxes.

Split payments are not permitted. Discounts are not permitted.

The District has not granted any tax abatements.

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

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

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

The District does not tax non-business personal property.

The District has not granted the freeport property exemption. The District has not elected to tax goods-in-transit.

The following table gives penalty and interest rates for delinquent taxes.

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

(1) In addition to the penalty assessed for delinquent taxes, a taxing unity may contract with an attorney for the collection of delinquent taxes and the amount of compensation as set forth in such contract may provide for a fee up to 20% of the amount of delinquent tax, penalty, and interest collected.

(2) Interest continues to accrue after July 1 at the rate of 1% per month until paid.

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FINANCIAL INFORMATION OF THE DISTRICT

TABLE 1 - ASSESSED VALUATION

2025 Total Market Value.....		\$	4,941,248,189
Less:			
Exempt Value:	287,068,895		
Total Assessed Value		\$	4,654,179,294
Less:			
Homestead Exemption:	\$ 1,026,225,811		
Over-Age 65 Exemption:	119,905,325		
Disabled:	5,182,339		
Disabled Veteran:	66,725,081		
Homestead Cap Loss:	324,901,701		
Miscellaneous:	3,125,049		
Productivity Loss:	413,649,444		
	<u>\$ 1,959,714,750</u>		
Total Taxable Value		\$	2,694,464,544
Less: Frozen Value:			<u>270,054,053</u>
Net Taxable Value:		\$	2,424,410,491

Source: Central Appraisal District of Johnson County.

TABLE 2 - GENERAL OBLIGATION DEBT PRINCIPAL (AS OF JUNE 30, 2026)

Unlimited Tax Refunding Bonds, Series 2016			\$ 26,395,000
Unlimited Tax Refunding Bonds, Series 2019			7,320,000
Unlimited Tax Refunding Bonds, Taxable Series 2020			47,110,000
Unlimited Tax School Building Bonds, Series 2024			<u>98,295,000</u>
			\$ 179,120,000
Less: Debt Service Fund Balance			<u>\$ (8,337,543)</u>
General Obligation Debt			\$ 170,782,457
Ratio of GO Debt Principal			
Principal to Net Taxable Valuation	7.39%	Per Capita Net 2025 Valuation	\$ 79,382
2025 Population Estimate	30,541	Per Capita Actual 2025 Valuation	\$ 161,791
2025/26 Enrollment	6,017	Per Capita GO Debt Principal	\$ 5,865

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TABLE 3 - PROPERTY TAX RATE COLLECTIONS

<u>Tax Year</u>	<u>Net</u>		<u>% Collections</u>		
	<u>Taxable Valuation</u> ⁽²⁾	<u>Tax Rate</u>	<u>Current</u>	<u>Total</u> ⁽¹⁾	<u>F/Y Ended</u>
2021/2022	\$ 1,850,682,565	\$ 1.2900	98.69%	99.76%	08/31/22
2022/2023	2,092,804,345	1.2726	98.27%	98.92%	08/31/23
2023/2024	2,270,359,430	1.0872	98.34%	99.66%	08/31/24
2024/2025	2,590,885,354	1.2575	97.83%	98.45%	08/31/25
2025/2026	2,424,410,491	1.2575	97.35%	98.15%	08/31/26

(1) Excludes Penalty and Interest.

(2) Taxable assessed valuations have been affected by the following changes in Legislature over the years: in year 2023 the general State mandated homestead exemption increased from \$40,000 to \$100,000; in year 2025 the general State mandated homestead exemption increased from \$100,000 to \$140,000, and the State mandated homestead exemption of persons sixty-five (65) years of age or older and the disabled increased from \$10,000 to \$60,000.

	<u>2025/26</u>	<u>2024/25</u>	<u>2023/24</u>	<u>2022/23</u>	<u>2021/22</u>
Local Maintenance ⁽¹⁾	\$ 0.7575	\$ 0.7575	\$ 0.7575	\$ 0.9429	\$ 0.9603
Interest & Sinking	<u>0.5000</u>	<u>0.5000</u>	<u>0.3297</u>	<u>0.3297</u>	<u>0.3297</u>
	\$ 1.2575	\$ 1.2575	\$ 1.0872	\$ 1.2726	\$ 1.2900

(1) See the discussion under "TAX RATE LIMITATIONS" in the Official Statement.

Source: Texas Comptroller of Public Accounts, Central Appraisal District of Johnson County and the District.

TABLE 4 - ESTIMATED OVERLAPPING DEBT STATEMENT

<u>Taxing Body</u>	<u>Amount</u>	<u>As of</u>	<u>% Overlap</u>	<u>\$ Overlap</u>
City of Burleson	\$ 207,580,000	06/30/26	13.09%	\$ 27,172,222
Johnson County	43,030,000	06/30/26	9.29%	3,997,487
City of Joshua	8,960,000	06/30/26	100.00%	8,960,000
City of Keene	<u>9,543,000</u>	06/30/26	16.29%	<u>1,554,555</u>
Total Net Overlapping Debt	\$ 269,113,000			\$ 41,684,264
Joshua ISD	\$ 178,680,000 ⁽¹⁾		100.00%	\$ 178,680,000 ⁽¹⁾
Total Direct and Overlapping Debt				<u><u>\$ 220,364,264</u></u>
Ratio of Direct and Overlapping Debt to Taxable Valuation				8.18%
Per Capita Direct and Overlapping Debt				\$ 7,215

Source: Municipal Advisory Council of Texas - Texas Municipal Reports.

(1) Excludes the Refunded Bonds and includes the Bonds.

TABLE 5 - FUND BALANCES

General Fund	\$ 10,069,696
I & S Fund	8,337,543
Special Revenue Fund	1,934,678
Capital Projects	109,040,728
Total	<u>\$ 129,382,645</u>

Source: FYE 2025 Annual Financial Report.

TABLE 6 - PRINCIPAL TAXPAYERS

<u>Name of Taxpayer</u>	<u>Type of Property</u>	<u>2025/26 Assessed Valuation</u>	<u>% A.V.</u>
Pecos Housing Finance Corporation	Real Estate	\$ 34,005,305	1.40%
United Cooperative Services Inc	Energy	15,928,343	0.66%
KCAP RE Fund II Joshua LLC	Developer	15,796,529	0.65%
SWG Pipeline, LLC	Oil & Gas	12,167,315	0.50%
Oncor Electric Delivery Co LLC	Energy	11,393,800	0.47%
Alps Cleburne LLC	Real Estate	11,180,761	0.46%
Atmos Energy/Mid-Tex Pipeline	Energy	10,192,529	0.42%
BNSF Railway Co	Railroad	10,087,294	0.42%
Gilco Contracting Inc.	Construction	8,259,021	0.34%
Atmos Energy/Mid-Tex Distribution	Energy	7,318,558	0.30%
		<u>\$ 136,329,455</u>	<u>5.62%</u>

Source: Central Appraisal District of Johnson County.

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TABLE 7 - CLASSIFICATION OF ASSESSED VALUATION BY USE CATEGORY

Property Use Category	Total Tax Roll for Tax Years				
	2025⁽¹⁾	2024⁽¹⁾	2023⁽¹⁾	2022	2021
Real Property					
Single-Family Residential	\$ 2,823,247,751	\$ 2,718,168,179	\$ 2,441,737,229	\$ 1,967,247,825	\$ 1,591,064,493
Multi-Family Residential	118,215,285	87,636,571	51,092,577	38,379,715	35,332,294
Vacant Lots/Tracts	75,091,636	89,453,108	89,784,392	60,620,518	60,626,819
Acreage (Land Only)	427,507,943	428,982,661	380,428,243	323,478,472	309,216,511
Farm/Ranch Improvements	708,710,624	709,582,701	608,794,402	510,865,323	496,224,992
Commercial	179,174,684	175,525,123	162,341,462	130,943,328	118,308,728
Industrial	23,397,628	22,546,253	21,199,953	16,892,991	17,481,944
Minerals, Oil and Gas	23,367,101	29,709,525	93,762,097	68,785,856	41,633,294
Utilities	102,402,025	91,944,040	92,896,511	72,196,528	67,415,546
Mobile Homes	32,087,194	29,875,827	24,396,944	20,968,235	18,621,505
Tangible Personal					
Commercial	71,578,674	72,967,665	71,414,006	62,921,021	59,034,308
Industrial	28,272,673	25,869,502	24,468,738	24,059,159	23,608,697
Totally Exempt Property	286,494,165	285,016,707	274,692,442	264,053,905	263,573,477
Special Inventory	8,562,911	9,527,636	9,659,383	7,239,916	6,082,599
Real Property-Vacant/Improved	33,137,895	28,469,044	12,709,842	1,801,324	4,510,139
Total Assessed Valuation	\$ 4,941,248,189	\$ 4,805,274,542	\$ 4,359,378,221	\$ 3,570,454,116	\$ 3,112,735,346
Less Exemptions:					
Homestead Exemption	\$ 1,026,225,811	\$ 726,081,966	\$ 688,511,558	\$ 275,337,750	\$ 166,938,945
Over 65	119,905,325	23,204,059	21,032,803	23,748,749	22,993,572
Disabled	5,182,339	1,149,736	1,224,264	1,793,183	1,900,375
Disabled Veteran	66,725,081	59,974,683	47,418,362	42,433,713	32,000,635
Homestead Cap Loss	324,901,701	488,361,050	377,114,525	196,038,720	133,911,632
Miscellaneous	3,125,049	2,609,058	2,505,591	1,087,929	839,628
Total Exempt Property	287,068,895	285,584,554	274,930,119	264,295,539	263,881,989
Productivity Loss	413,649,444	415,357,013	367,507,574	311,827,318	298,855,424
Total Exemptions	\$ 2,246,783,645	\$ 2,002,322,119	\$ 1,780,244,796	\$ 1,116,562,901	\$ 921,322,200
Less Frozen Value:	\$ 270,054,053	\$ 212,067,069	\$ 308,773,995	\$ 361,086,870	\$ 340,730,581
Net Taxable Valuation	\$ 2,424,410,491	\$ 2,590,885,354	\$ 2,270,359,430	\$ 2,092,804,345	\$ 1,850,682,565

Source: Municipal Advisory Council of Texas - Texas Municipal Reports.

- (1) Taxable assessed valuations have been affected by the following changes in Legislature over the years: in year 2023 the general State mandated homestead exemption increased from \$40,000 to \$100,000; in year 2025 the general State mandated homestead exemption increased from \$100,000 to \$140,000, and the State mandated homestead exemption of persons sixty-five (65) years of age or older and the disabled increased from \$10,000 to \$60,000.

FINANCIAL INFORMATION

TABLE 8 - COMPARATIVE STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES

	Fiscal Years Ending August 31,				
	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
<u>Revenues:</u>					
Local and Intermediate Sources	\$ 20,000,126	\$ 18,956,744	\$ 23,186,321	\$ 20,831,335	\$ 19,067,795
State Program Revenues	48,204,684	44,149,285	34,930,181	36,751,672	34,596,438
Federal Program Revenues	542,310	290,146	1,740,452	1,656,762	1,396,787
Total Revenues	\$ 68,747,120	\$ 63,396,175	\$ 59,856,954	\$ 59,239,769	\$ 55,061,020
<u>Expenditures:</u>					
Instruction	\$ 38,428,742	\$ 39,800,899	\$ 36,946,227	\$ 34,360,904	\$ 32,602,326
Instructional Resources & Media Services	849,182	869,341	821,353	872,793	783,059
Curriculum & Instructional Staff Development	132,296	430,027	182,397	148,290	17,813
Instructional Leadership	1,222,214	1,470,743	1,281,504	1,209,576	1,072,521
School Leadership	3,751,573	3,923,706	3,864,306	3,588,689	3,359,340
Guidance, Counseling & Evaluation Services	1,665,620	1,615,046	1,503,022	384,494	1,262,642
Health Services	744,911	792,724	930,021	739,456	662,644
Student Transportation	3,372,812	3,318,978	3,138,306	2,828,843	2,141,770
Cocurricular/Extracurricular Activities	2,041,788	2,062,738	2,071,169	1,879,482	1,684,013
General Administration	1,933,466	2,187,411	2,699,716	2,103,733	1,802,242
Plant Maintenance and Operations	8,397,662	7,683,250	7,948,526	6,642,262	5,787,357
Security and Monitoring Services	1,226,014	1,613,569	1,637,490	750,191	669,623
Data Processing	1,378,535	1,815,988	1,646,113	1,278,371	1,242,764
Community Services	1,500	1,200	1,200	1,200	1,400
Capital Outlay	-	-	400,937	2,196,721	-
Other Intergovernmental Charges	366,024	332,418	347,325	327,539	322,681
Debt Service	241,054	189,427	145,851	95,734	-
Payments to Juvenile Justice Alternative Education Programs	-	-	-	-	-
Total Expenditures	\$ 65,753,393	\$ 68,107,465	\$ 65,565,463	\$ 59,408,278	\$ 53,412,195
Excess (Deficiency) of Revenue Over (Under) Expenditures	\$ 2,993,727	\$ (4,711,290)	\$ (5,708,509)	\$ (168,509)	\$ 1,648,825
Other Financing Sources and (Uses):					
Sale of Real or Personal Property	13,900	-	278,094	246,122	-
Issuance of Right-to-Use Leases	54,735	269,649	-	-	-
Issuance of Right-to-Use SBITAs	144,989	91,211	-	-	-
Transfers In	-	-	-	-	-
Transfers Out	-	-	-	-	-
Total Other Financing Sources and (Uses)	\$ 213,624	\$ 360,860	\$ 278,094	\$ 246,122	\$ -
Special Item (Resource)	-	-	-	-	-
Net Change in Fund Balances	\$ 3,207,351	\$ (4,350,430)	\$ (5,430,415)	\$ 77,613	\$ 1,648,825
Beginning Fund Balance	\$ 6,862,345	\$ 11,212,775	\$ 16,643,190	\$ 16,565,577	\$ 14,916,752
Ending Fund Balance - August 31	\$ 10,069,696	\$ 6,862,345	\$ 11,212,775	\$ 16,643,190	\$ 16,565,577

Source: Joshua ISD Audited financial statements.

DEBT INFORMATION

TABLE 9 - DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 8/31	Outstanding Debt ⁽¹⁾			The Bonds ⁽²⁾			Total Debt Service
	Principal	Interest	Total	Principal	Interest	Total	
2026	\$ 3,890,000	\$ 9,369,333	\$ 13,259,333	\$ 2,330,000	\$ 17,058	\$ 2,347,058	\$ 15,606,390
2027	3,420,000	9,556,833	12,976,833	-	441,750	441,750	13,418,583
2028	6,850,000	6,115,833	12,965,833	-	441,750	441,750	13,407,583
2029	5,215,000	5,897,131	11,112,131	1,415,000	441,750	1,856,750	12,968,881
2030	5,420,000	5,692,035	11,112,035	1,475,000	371,000	1,846,000	12,958,035
2031	5,640,000	5,476,003	11,116,003	1,555,000	297,250	1,852,250	12,968,253
2032	5,870,000	5,247,915	11,117,915	1,630,000	219,500	1,849,500	12,967,415
2033	5,155,000	5,021,277	10,176,277	2,760,000	138,000	2,898,000	13,074,277
2034	8,880,000	4,828,510	13,708,510				13,708,510
2035	9,190,000	4,519,255	13,709,255				13,709,255
2036	9,510,000	4,195,744	13,705,744				13,705,744
2037	9,845,000	3,852,809	13,697,809				13,697,809
2038	7,050,000	3,494,090	10,544,090				10,544,090
2039	7,320,000	3,225,770	10,545,770				10,545,770
2040	7,605,000	2,942,747	10,547,747				10,547,747
2041	7,895,000	2,646,500	10,541,500				10,541,500
2042	8,210,000	2,333,002	10,543,002				10,543,002
2043	8,540,000	2,005,864	10,545,864				10,545,864
2044	8,885,000	1,664,334	10,549,334				10,549,334
2045	9,235,000	1,307,788	10,542,788				10,542,788
2046	5,840,000	992,000	6,832,000				6,832,000
2047	6,075,000	758,400	6,833,400				6,833,400
2048	6,315,000	515,400	6,830,400				6,830,400
2049	6,570,000	262,800	6,832,800				6,832,800
TOTAL	\$ 168,425,000	\$ 91,921,371	\$ 260,346,371	\$ 11,165,000	\$ 2,368,058	\$ 13,533,058	\$ 273,879,429

(1) "Outstanding Debt" excludes the Refunded Bonds.

(2) Average life of the issue is 4.242 years. True Interest Cost is calculated at a rate of 3.025%.

TABLE 10 - TAX ADEQUACY WITH RESPECT TO THE DISTRICT'S OUTSTANDING BONDS

Maximum Principal and Interest Requirements, Fiscal Year Ending 8/31/2026 ⁽¹⁾	\$ 15,606,390
Less estimated combined State Funds available	<u>\$ 1,381,708</u>
Projected Levy on Maximum Principal and Interest Requirements	\$ 14,224,682
Projected I&S Tax Rate at 98% Collections using current Net Taxable Valuation:	\$ 0.5987

Note: The District currently receives State financial assistance for debt service on its outstanding debt. The amount of State aid for debt service, if any, may substantially differ from year to year, depending on a number of factors, including amounts, if any, appropriated for that purpose by the Texas Legislature and the District's wealth per student

(1) Excludes the Refunded Bonds and Includes the Bonds.

TABLE 11 - AUTHORIZED BUT UNISSUED UNLIMITED BONDS

The District does not currently have authorized but unissued debt.

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

TABLE 12 - PRINCIPAL REPAYMENT SCHEDULE

Year Ended 8/31	Outstanding Bonds ⁽¹⁾	The Bonds	Total	Bonds Unpaid at Year End	Principal Retired
2026	\$ 3,890,000	\$ 2,330,000	\$ 6,220,000	\$ 173,370,000	3.46%
2027	3,420,000	-	3,420,000	169,950,000	5.37%
2028	6,850,000	-	6,850,000	163,100,000	9.18%
2029	5,215,000	1,415,000	6,630,000	156,470,000	12.87%
2030	5,420,000	1,475,000	6,895,000	149,575,000	16.71%
2031	5,640,000	1,555,000	7,195,000	142,380,000	20.72%
2032	5,870,000	1,630,000	7,500,000	134,880,000	24.90%
2033	5,155,000	2,760,000	7,915,000	126,965,000	29.30%
2034	8,880,000	-	8,880,000	118,085,000	34.25%
2035	9,190,000	-	9,190,000	108,895,000	39.36%
2036	9,510,000	-	9,510,000	99,385,000	44.66%
2037	9,845,000	-	9,845,000	89,540,000	50.14%
2038	7,050,000	-	7,050,000	82,490,000	54.07%
2039	7,320,000	-	7,320,000	75,170,000	58.14%
2040	7,605,000	-	7,605,000	67,565,000	62.38%
2041	7,895,000	-	7,895,000	59,670,000	66.77%
2042	8,210,000	-	8,210,000	51,460,000	71.35%
2043	8,540,000	-	8,540,000	42,920,000	76.10%
2044	8,885,000	-	8,885,000	34,035,000	81.05%
2045	9,235,000	-	9,235,000	24,800,000	86.19%
2046	5,840,000	-	5,840,000	18,960,000	89.44%
2047	6,075,000	-	6,075,000	12,885,000	92.83%
2048	6,315,000	-	6,315,000	6,570,000	96.34%
2049	6,570,000	-	6,570,000	-	100.00%
TOTAL	\$ 168,425,000	\$ 11,165,000	\$ 179,590,000		

(1) "Outstanding Bonds" excludes the Refunded Bonds.

EMPLOYEES' RETIREMENT PLAN

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

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard workload and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system. See the District's Annual Financial Report—Note I.

OTHER POST-EMPLOYMENT BENEFITS ...The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan 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. See the District's Annual Financial Report—Note J.

INVESTMENT AUTHORITY AND PRACTICES OF THE DISTRICT

Under State law, the District is authorized to make investments meeting the requirements of the PFIA, which currently include Under Texas law, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is unconditionally guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund, or their respective successors; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this state that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in this state that the investing entity selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3; (9) certificates of deposit and share certificates meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended)(the "PFIA") (i) that are issued by or through an institution that has its main office or a branch office in Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and amount provided by law for District deposits; or (ii) where (a) the funds are invested by the District through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the District as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the District; (b) the broker or the depository institution selected by the District arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the District; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (d) the District appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the United States Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the District with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the value of the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash

invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less; (12) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (13) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (14) no-load money market mutual funds registered with and regulated by the United States Securities and Exchange Commission that comply with federal Securities and Exchange Commission Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.) and that provide the investing entity with a prospectus and other information required by the Securities Exchange Act of 1934; (15) no-load mutual funds registered with the United States Securities and Exchange Commission that have an average weighted maturity of less than two years, and either: (i) have a duration of one year or more and are invested exclusively in obligations described in this paragraph or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities; and (16) aggregate repurchase agreement transactions entered into by an investing entity in conformity with the provisions of subsections (a-1), (f) and (g) of Section 2256.011 of the PFIA. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract and are pledged to the District and deposited with the District or with a third party selected and approved by the District.

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, but only if the District has formally amended its investment policy to authorize such investments. Texas 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 subsidiary 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.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAM or an equivalent by at least one nationally recognized rating service. The District may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance, or resolution.

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

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

Under State law, the District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and probable income to be derived." At least quarterly the District's investment officers must submit an investment report to the Board detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and the fully accrued interest during the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which

each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) State law. No person may invest District funds without express written authority from the Board.

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

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TAX MATTERS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

CONTINUING DISCLOSURE INFORMATION

In the Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the "MSRB"). See "APPENDIX D - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" for a description of the TEA's continuing disclosure undertaking to provide certain updated financial information and operating data annually with respect to the Permanent School Fund and the State, as the case may be, and to provide timely notice of certain specified events related to the guarantee, to the MSRB.

ANNUAL REPORTS . . . The District will provide certain updated financial information and operating data annually to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under Tables numbered 1 through 3 and 5 through 12 and in Appendix B, which is the District's annual audited financial report. The District will update and provide the information in the numbered tables ("annual financial information") within six months after the end of each fiscal year ending in and after 2026 and, if not submitted as part of such annual financial information, the District will provide audited financial statements when and if available, and in any event, within 12 months after the end of each fiscal year. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the District will file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year ending in and after 2026, when and if the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation.

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

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

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

For these purposes, any event described in clause (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District. Additionally, the District intends the words used in clauses (15) and (16) of the preceding paragraph and the definition of "financial obligation" in these clauses to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018. "Financial Obligation" is defined in the Order as a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule. Neither the Bonds nor the Order make any provision for early redemption of the Bonds, debt service reserves, liquidity enhancement or credit enhancement (except with respect to the Permanent School Fund Guarantee). In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

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

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

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell the Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the District so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . During the last five (5) years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

OTHER INFORMATION

RATINGS

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

LITIGATION

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

CYBERSECURITY RISKS

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

WEATHER EVENTS

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

or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District or be sufficient for such purposes. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District could be adversely affected.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any other jurisdiction. The District assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital, and savings and loan associations. In accordance with the Public Funds Investment Act, Chapter 2256, Texas Government Code, the Bonds must be rated not less than "A" or its equivalent as to investment quality by a national rating agency in order for most municipalities or other political subdivisions or public agencies of the State of Texas to be authorized to invest in the Bonds, except for purchases for interest and sinking funds of such entities. See "OTHER INFORMATION -- Ratings" herein. Moreover, municipalities or other political subdivisions or public agencies of the State of Texas that have adopted investment policies and guidelines in accordance with the Public Funds Investment Act may have other, more stringent requirements for purchasing securities, including the Bonds. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value.

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

LEGAL MATTERS

The delivery of the Bonds is subject to the approval of the Attorney General of Texas, who will deliver its opinion, to the effect that the Bonds are valid and legally binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property in the District, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, which will deliver its opinion to the effect that the Bonds are valid and legally binding obligations of the District and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on certain corporations. Bond Counsel also advises the TEA in connection with its disclosure obligations under the federal securities laws, but Bond Counsel has not passed upon any TEA disclosures contained in this Official Statement. The form of Bond Counsel's opinion is attached hereto as Appendix C. Though it may represent the Financial Advisor and the Underwriters from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the District in connection with the issuance of the Bonds. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds which would affect the provision made for their payment or security, or in any manner questioning the validity of said Bonds will also be furnished to the Underwriters. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under the captions and subcaptions "PLAN OF FINANCING," "THE BONDS" (excluding the information under the subcaptions "Permanent School Fund Guarantee," "DTC Notices," "Book-Entry-Only System," "Bondholders' Remedies" and "Sources and Uses of Proceeds"), "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS", "CURRENT PUBLIC SCHOOL FINANCE SYSTEM", "TAX RATE LIMITATIONS" (first paragraph only under "M&O Tax Rate Limitations"), "TAX MATTERS", "CONTINUING DISCLOSURE INFORMATION" (excluding the information under the subcaption "Compliance with Prior Undertakings"), "OTHER INFORMATION - Registration and Qualification of Bonds for Sale", "OTHER INFORMATION - Legal Investments and Eligibility to Secure Public Funds in

Texas", and "OTHER INFORMATION - Legal Matters" (excluding the last sentence of the first paragraph thereof) in the Official Statement and such firm is of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the provisions of the Order. Certain legal matters will be passed upon for the Underwriters by their counsel Norton Rose Fulbright US LLP, Dallas, Texas., whose legal fees are contingent upon the sale and delivery of the Bonds.

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

FINANCIAL ADVISOR

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

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

UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the District, at an underwriting discount of \$55,550.55. The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriters.

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

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

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

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

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.

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

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

MISCELLANEOUS

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

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

Carla Martin
Pricing Officer
Joshua Independent School District

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SCHEDULE I

SCHEDULE OF REFUNDED BONDS

Unlimited Tax Refunding Bonds, Series 2016

Original Dated Date	Original Maturity (8/15)	Interest Rate	Principal Amount			Call Date	Call Price
			Outstanding	Refunded	Unrefunded		
February 15, 2016	2029	4.000%	\$ 1,930,000	\$ 1,930,000	\$ -	8/4/2026	100%
	2030	5.000%	2,000,000	2,000,000	-	8/4/2026	100%
	2031	5.000%	2,105,000	2,105,000	-	8/4/2026	100%
	2032	5.000%	2,205,000	2,205,000	-	8/4/2026	100%
	2033	5.000%	3,365,000	3,365,000	-	8/4/2026	100%
			<u>\$ 11,605,000</u>	<u>\$ 11,605,000</u>	<u>\$ -</u>		

APPENDIX A

GENERAL INFORMATION REGARDING THE DISTRICT

THE DISTRICT

Joshua ISD was established in 1902 and encompasses 76 miles in the Burleson, Crowley, Joshua, Egan and Cleburne communities of Johnson County. The District serves a population of approximately 30,541. It is a productive farming and residential area that has experienced rapid residential growth due to its proximity to the City of Fort Worth.

ENROLLMENT STATISTICS

<u>School Year</u>	<u>Enrollment</u>
2021-22	5,862
2022-23	5,879
2023-24	6,020
2024-25	6,026
2025-26	6,017

FACILITIES

<u>School</u>	<u>Campus Size (acres)</u>	<u>Grades</u>	<u>Present Enrollment</u>	<u>Planned Capacity</u>
<u>Elementary</u>				
Elder Elementary School	11	PK-5	641	650
Staples Elementary School	9	PK-5	416	550
North Joshua Elementary School	15	PK-5	741	750
Caddo Grove Elementary School	35	PK-5	569	650
Plum Creek Elementary School	12	PK-5	460	650
<u>Middle Schools</u>				
Loflin Middle School	30	6-8	696	1,100
Nichols Middle School	50	6-8	654	1,000
<u>High Schools</u>				
JHS 9 th Grade Campus	15	9	467	700
Joshua High School	56	10-12	1,313	1,600
New Horizon High School	3	9-12	30	125

ADDITIONAL SITES OWNED BY THE DISTRICT

<u>Name/Location of Site</u>	<u>Size (acres)</u>
CR 3068 - Future School Site	33.0
Panchasarp Farms - Future School Site	20.0
CR 1902 - Future School Site	70.0
CR 1915 - Future School Site	18.0
Tall Grass Development - Future School Site	15.0

EMPLOYMENT OF THE DISTRICT

Teachers	408
Administrators	51
Teacher Aids & Secretaries	171
Other Employees	254
Total Number of Employees	884

PRINCIPAL EMPLOYERS OF THE DISTRICT

<u>Name of Company</u>	<u>Product</u>	<u># of Employees</u>
Joshua ISD	Education	884
KWS Manufacturing	Manufacturer	150
Texas Health Burleson	Health Care	125
American Steel Buildings	Carports	110
Brookshires	Grocery	70
City of Joshua	Municipality	65
Industrial Screw Conveyors	Equipment manufacturer	55
Pathway Communications	Communications	54
Cleburne Ford	Vehicle Dealership	40
Joshua YMCA	Health & Wellness	35

Source: Joshua ISD

Johnson County is located in north central Texas on the southwestern edge of the Dallas-Fort Worth Metroplex and is comprised of approximately 740 square miles. The county was named after Middleton Johnson, a Texas Ranger, soldier and politician. The area was first settled in the middle 1850s. Today the county seat is Cleburne. The county population per the 2020 census was 179,927. Estimated current population is 218,048.

The topography is level to gently sloping with soil types of alkaline loam over limestone on the west, acid soils that are both loamy and clay subsoils on the east and blackland clay in the remaining region. The primary minerals include sand, limestone and gravel. Agricultural crops include wheat, sorghums, oats, cotton, dairy and cattle. Industry in the county is based on manufacturing, lake recreation, and agribusiness.

The Brazos and Nolan rivers are primary sources for water with reservoirs at Lake Whitney and Lake Pat Cleburne.

Source: Texas Municipal Reports/ North Central Texas Council of Governments

EMPLOYMENT STATISTICS

The Texas Work Force Commission reports the following employment statistics for Johnson County and the State of Texas.

	<u>Johnson County</u>		<u>State of Texas</u>	
	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
Total Civilian Labor Force	107,119	105,705	15,883,632	15,628,870
Total Employment	103,187	101,865	15,218,369	14,985,161
Total Unemployment	3,932	3,840	665,263	643,709

UNEMPLOYMENT RATES

	<u>2025</u>	<u>2024</u>
Johnson County	3.7%	3.6%
State of Texas	4.2%	4.1%
United States of America	4.3%	4.0%

APPENDIX B

EXCERPTS FROM THE
JOSHUA INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
For the Year Ended August 31, 2025

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

Joshua Independent School District

Annual Financial Report

For the Year Ended August 31, 2025

Joshua Independent School District
Annual Financial Report
For The Year Ended August 31, 2025

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Joshua Independent School District
Annual Financial Report
For The Year Ended August 31, 2025

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Introductory Section

CERTIFICATE OF BOARD

Joshua Independent School District
Name of School District

Johnson
County

126-905
Co. Dist. Number

We, the undersigned, certify that the attached financial reports of the above named school district
were reviewed and (check one) ☒ approved ☐ disapproved for the year ended August 31, 2025,
at a meeting of the board of trustees of such school district on the 15th 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)

Financial Section



SNOW GARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Trustees
Joshua Independent School District
310 E 18th Street
Joshua, Texas 76058

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Joshua Independent School District as of August 31, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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 Joshua 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

As described in Note A to the financial statements, in Fiscal Year 2025, Joshua Independent School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 101 *Compensated Absences*. Our opinion is 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 Joshua 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 generally accepted auditing standards 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 generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of the District's proportionate share of the net pension liability, schedule of the District's pension contributions, schedule of the District's proportionate share of the net OPEB liability, and schedule of the District's OPEB contributions 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 Joshua Independent School District's basic financial statements. The accompanying financial information listed as other supplementary information in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles; and Audit Requirements for Federal Awards*, and is also 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 other supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section 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 12, 2025 on our consideration of Joshua 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 Joshua Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Joshua Independent School District's internal control over financial reporting and compliance.



Snow Garrett Williams
December 12, 2025

Management's Discussion and Analysis (Unaudited)

As management of 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 August 31, 2025. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- Total liabilities of the District exceeded its assets at the close of the most recent period by \$9,130,533 (*net position*). Of this amount, a negative \$23,584,768 (*unrestricted net position*) may be used to meet the District's ongoing obligations.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$129,382,645. Approximately 7% of this total amount, \$9,610,821, is *available for spending* at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$9,610,821 or 15% of the total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other 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 and liabilities and deferred inflows, 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 for all of the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the District's government-wide financial statements distinguish the functions of the District as being principally supported by taxes and intergovernmental revenues (*governmental activities*) as opposed to *business-type activities* that are intended to recover all or a significant portion of their costs through user fees and charges. The District has no component units for which it is financially accountable. The government-wide financial statements can be found on pages 15-16 of this report.

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 requirements. The fund financial statements provide more detailed information about the District's most significant funds-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 spendable 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 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 adopts an annual appropriated budget for its general fund, debt service fund and food service fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found on pages 17-22 of 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 has *business-type activities* or *enterprise funds* that operate similar to a private business. The District uses the enterprise fund to account for after school programs. 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; however, the District does not have any internal service funds. The basic proprietary fund financial statements can be found on pages 23-25 of this report.
- **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 purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and statement of changes in fiduciary net position that can be found on pages 26-27.
- **Notes to the financial statements.** The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-54 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements. Required supplementary information can be found on pages 56-62 of this report.



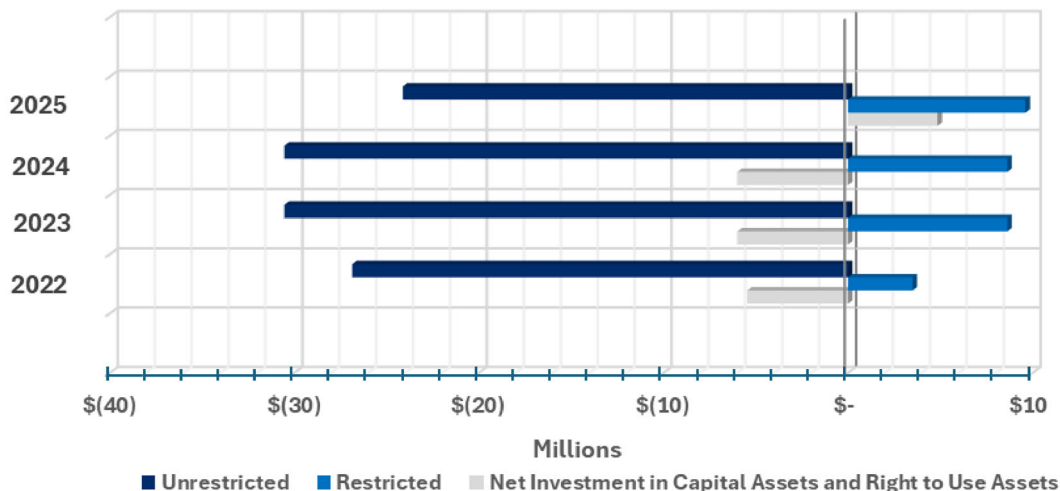
Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, governmental type liabilities and deferred inflows exceeded assets and deferred outflows by \$9,678,609 as of August 31, 2025.

The District's Net Position - Governmental Activities

	August 31, 2025	August 31, 2024
Current assets	\$ 139,938,161	\$ 26,909,118
Capital assets	87,789,355	76,749,565
Restricted assets	307,523	294,996
Total assets	228,035,039	103,953,679
Deferred outflows of resources		
Deferred loss on refunding	4,448,398	4,686,837
Deferred outflows related to pensions	6,016,932	11,311,895
Deferred outflows related to OPEB	7,738,991	5,959,009
Total deferred outflows of resources	18,204,321	21,957,741
Current liabilities	10,142,074	4,946,880
Long-term liabilities outstanding	230,743,859	131,489,998
Total liabilities	240,885,933	136,436,878
Deferred inflows of resources		
Deferred gain on refunding	537,594	614,394
Deferred inflows related to pensions	1,783,798	1,072,869
Deferred inflows related to OPEB	12,710,644	15,704,800
Total deferred inflows of resources	15,032,036	17,392,063
Net position		
Net investment in capital assets	4,843,906	(6,000,587)
Restricted	9,610,329	8,627,790
Unrestricted	(24,132,844)	(30,544,724)
Total net position	\$ (9,678,609)	\$ (27,917,521)

Historical Governmental Activities Net Position

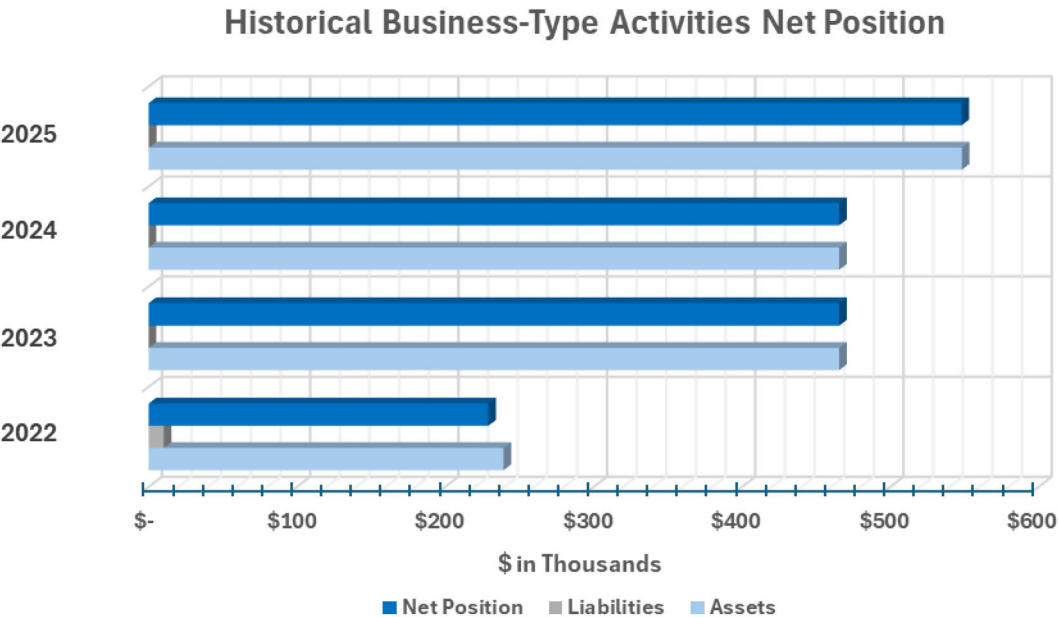


Net investment in capital assets and right to use assets (e.g., land, buildings, and furniture and equipment) is \$4,843,906. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment 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 \$9,610,329 represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position*, negative \$24,132,844, may be used to meet the District's ongoing obligations. This deficit is not an indication that the District has insignificant resources available to meet financial obligations next year, but rather the result of having *long-term* commitments that are in excess of currently available resources.

The District's Net Position - Business-Type Activities

	August 31, 2025	August 31, 2024
Current assets	\$ 548,272	\$ 465,566
Total assets	548,272	465,566
Current liabilities	196	-
Total liabilities	196	-
Net position		
Unrestricted	548,076	465,566
Total net position	\$ 548,076	\$ 465,566

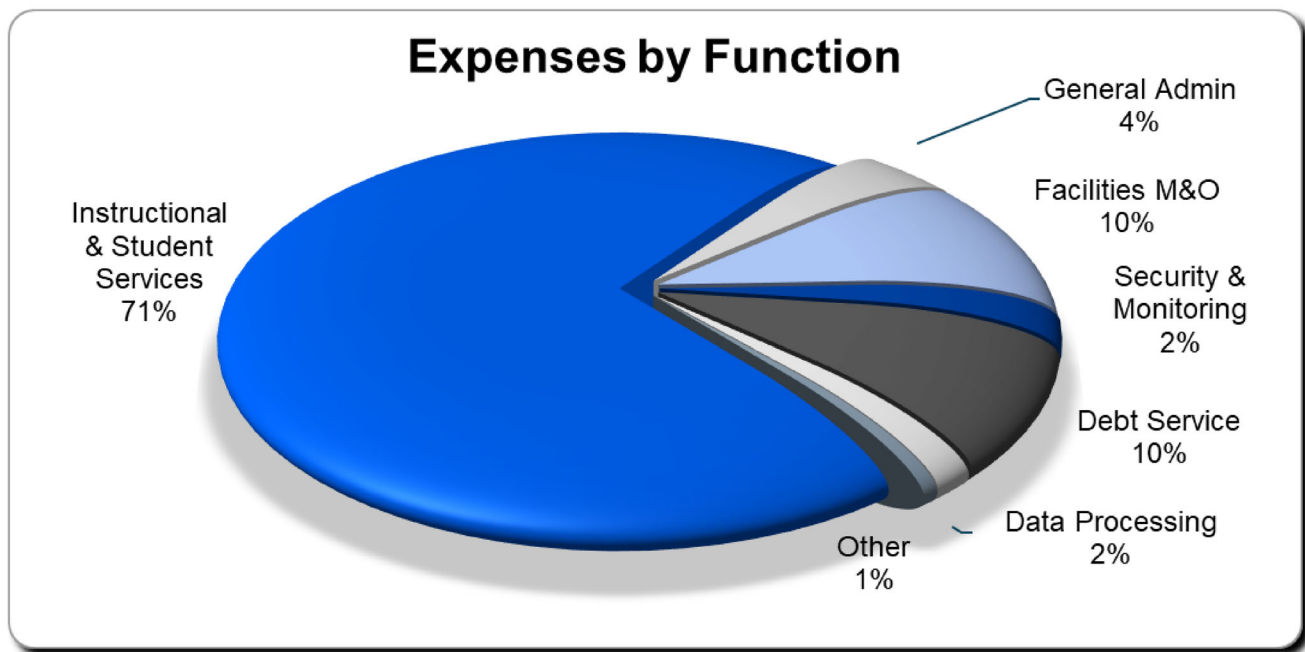
The above surplus is not an indication that the District has significant assets that are available to meet business-type activities financial obligations next year, but rather the result of having currently available resources that exceed long-term commitments.



Governmental activities. The District's total net position increased \$18,238,912. The total cost of all *governmental activities* this year was \$86,427,060. The amount that our taxpayers paid for these activities through property taxes was \$31,680,883 or 37%. This increase is largely due to an increase in property taxes and insurance recovery revenue.

Changes in the District's Net Position - Governmental Activities

	Fiscal Year August 31, 2025	Fiscal Year August 31, 2024
Revenues:		
Program revenues		
Charges for services	\$ 2,543,524	\$ 2,337,407
Operating grants and contributions	8,809,581	10,594,138
General revenues		
Property taxes	31,680,883	25,762,703
State grants	44,656,544	40,498,671
Other	16,950,440	6,818,956
Transfers	25,000	35,000
Total revenues	<u>104,665,972</u>	<u>86,046,875</u>
Expenses:		
Instruction	40,850,281	43,365,242
Instruction resources and media services	897,692	956,199
Curriculum and staff development	380,484	552,723
Instructional leadership	1,456,036	1,787,082
School leadership	4,300,842	4,687,466
Guidance, counseling & evaluation services	2,759,230	2,855,255
Social work services	85,222	70,000
Health services	767,092	792,662
Student transportation	3,592,977	3,370,018
Food service	4,055,746	4,189,204
Cocurricular/extracurricular activities	2,366,528	2,681,609
General administration	3,342,634	2,454,269
Facilities maintenance and operations	9,072,031	8,112,229
Security and monitoring services	2,151,279	2,071,449
Data processing services	1,475,118	1,713,593
Community services	10,987	128,093
Interest on long-term debt	7,405,621	2,756,463
Bond issuance costs and fees	868,806	164,849
Capital outlay	217,430	-
Payments related to shared service arrangements	5,000	5,000
Other intergovernmental charges	366,024	332,418
Total expenses	<u>86,427,060</u>	<u>83,045,823</u>
Increase (decrease) in net position	18,238,912	3,001,052
Beginning net position	<u>(27,917,521)</u>	<u>(30,918,573)</u>
Ending net position	<u>\$ (9,678,609)</u>	<u>\$ (27,917,521)</u>



Business-type activities. The District's total net position increased by \$82,510. The total cost of all *business-type activities* this year was \$418,554 for the Club Excel after school program which began in fiscal year 2011.

Changes in the District's Net Position - Business-Type Activities

	Fiscal Year August 31, 2025	Fiscal Year August 31, 2024
Revenues:		
Program revenues		
Charges for services	\$ 488,308	\$ 476,690
Grants and contributions	20,586	22,154
General revenues		
Other	17,170	16,358
Transfers	(25,000)	(35,000)
Total revenues	<u>501,064</u>	<u>480,202</u>
Expenses:		
Club Excel-after school program	418,554	334,842
Total expenses	<u>418,554</u>	<u>334,842</u>
Increase (decrease) in net position	82,510	145,360
Beginning net position	465,566	320,206
Ending net position	<u>\$ 548,076</u>	<u>\$ 465,566</u>

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, bond covenants, and segregation for particular purposes.

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$129,382,645, an increase of \$107,826,475. Approximately 7 percent of this total amount (\$9,610,821) constitutes *unassigned fund balance*. The remainder of fund balance is *restricted* or *committed* to indicate that it is not available for new spending because it is (1) considered non-spendable for inventory (\$135,625) and prepaid items (\$323,250) and has already been restricted (2) to pay debt service (\$8,337,543), (3) for capital acquisitions and contractual obligations (\$109,040,728), (4) for federal/state funds grant restrictions (\$919,798); and committed for (5) campus activity (\$1,014,880).

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$9,610,821, out of a total fund balance of \$10,069,696. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the total fund expenditures. Unassigned fund balance represents 15 percent of the total general fund expenditures. Total fund balance represents 16 percent of the total general fund expenditures.

The fund balance of the District's general fund increased \$3,207,351 during the current fiscal year. This increase is largely due to increased property taxes and state program revenues.

The fund balance of the District's debt service fund increased \$1,161,840 during the current fiscal year. This increase is largely due to an increase in property taxes.

The fund balance of the District's capital projects fund increased \$103,623,440 during the current fiscal year. This increase is due to the issuance of \$100.5 million in general obligation bonds.

Proprietary funds. As mentioned earlier, the District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

After school care fund info. Unrestricted net position for the enterprise fund at August 31, 2025 amounted to \$548,078.

General Fund Budgetary Highlights

Over the course of the year, the District recommended and the Board approved several revisions to budgeted revenue and appropriations. These amendments fall into the following categories:

- Reclassification of funds to meet needs that arise throughout the year,
- Recognition of revenues and expenditures related to participation in the Teacher Incentive Allotment
- Year-end adjustments to ensure all district spending is approved by the board and revenues align with collections and anticipated final state aid amounts.

The following are significant variations between the final budget and actual amounts for the general fund:

- Actual revenues were lower than budgeted by \$487,551, primarily related to a decrease in state program revenues; and
- Actual expenditures were lower than budgeted by \$2,580,278, primarily due to a decrease of expenditures within instruction services, facilities and maintenance operations, and student transportation.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets and right to use assets for its governmental activities as of August 31, 2025, amounts to \$87,789,355 (net of accumulated depreciation and amortization). This investment in capital assets and right to use assets includes land, construction in progress, buildings and improvements, furniture and equipment and right to use assets.

Major capital asset events during the year included construction on the new elementary school, the middle school addition, CTE building expansion and renovation, and roof replacements on several buildings throughout the district.

District's Capital Assets
(Net of Depreciation/Amortization)

	August 31, 2025	August 31, 2024
Land	\$ 6,597,782	\$ 6,597,782
Construction in progress	12,487,696	-
Buildings and improvements	65,814,366	66,699,764
Furniture and equipment	2,424,468	2,908,859
Right to use assets	465,043	543,160
Total	<u>\$ 87,789,355</u>	<u>\$ 76,749,565</u>

Additional information on the District's capital assets can be found in Note C on page 37 of this report.

Long-term liabilities. As of August 31, 2025, the District had total general obligation bonded debt outstanding of \$230,743,859, an increase of \$99,253,863 (75.5%) over the prior year primarily due to scheduled principal payments and issuance of \$100.5 million in general obligation bonds.

	August 31 2025	August 31 2024	Change
Governmental Activities:			
General Obligation Bonds	\$ 180,030,002	\$ 83,785,002	\$ 96,245,000
Premium on Bonds	8,450,944	2,531,472	5,919,472
Accum Accretion on CABs	6,029,777	8,241,018	(2,211,241)
Arbitrage Rebate Liability	905,698	-	905,698
Net Pension Liability	21,139,184	25,963,554	(4,824,370)
Net OPEB Liability	13,707,693	10,462,829	3,244,864
Lease Liability	351,044	426,745	(75,701)
SBITA Liability	129,517	79,376	50,141
Total governmental activities	<u>\$ 230,743,859</u>	<u>\$ 131,489,996</u>	<u>\$ 99,253,863</u>

Additional information on the District's long-term liabilities can be found in Note E on pages 38-39 of this report.

Economic Factors and Next Year's Budgets and Rates

During the 2025 regular session of the 89th Texas Legislature, the state enacted a series of statutes that affect public education funding for the 2025-26 budget:

- House Bill 2 (HB2) provided funding focused on teacher and staff compensation. The Joshua ISD Board of Trustees approved pay increases for all teachers and staff as part of the 2025-26 compensation plan:
- Teachers with 3-4 years of experience received \$2,500
- Teachers with 5+ years of experience received \$5,000
- All other staff received 1% of midpoint, or \$1,000, whichever is less
- Senate Bill 4 (SB4) and Senate Bill 23 (SB23) as part of property tax relief legislation, increased the school district homestead exemption from \$100,000 to \$140,000 and increased the homeowners aged 65 or older or with a disability exemption from \$10,000 to \$60,000. In effect, the District's taxable valuation decreased, lowering budgeted local property collection revenue, but increasing budgeted state revenue.
- The Board adopted the 2025-2026 budget representing \$68.6M in revenues and \$69.3M in expenditures reducing the budgeted deficit from the previous year. The District's student attendance rate remains stable at the 94% percent level and enrollment remains stable at around 6,000 students.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances as well as demonstrate accountability for funds the District receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Joshua ISD Financial Services Department.

Basic Financial Statements

JOSHUA INDEPENDENT SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET POSITION

AUGUST 31, 2025

		1	2	
Data Control Codes		Governmental Activities	Business-type Activities	Total
ASSETS:				
1110	Cash and Cash Equivalents	\$ 1,481,001	\$ 548,076	\$ 2,029,077
1120	Current Investments	128,866,376	-	128,866,376
1225	Property Taxes Receivable (Net)	1,026,827	-	1,026,827
1240	Due from Other Governments	8,105,082	-	8,105,082
1260	Due from Other Funds	(196)	196	-
1300	Inventories	135,625	-	135,625
1410	Unrealized Expenditures	323,250	-	323,250
	Capital Assets:			-
1510	Land	6,597,782	-	6,597,782
1520	Buildings and Improvements (Net)	65,814,366	-	65,814,366
1530	Furniture and Equipment (Net)	2,424,468	-	2,424,468
1550	Right to Use Assets (Net)	465,043	-	465,043
1580	Construction in Progress	12,487,696	-	12,487,696
1800	Restricted Assets	307,523	-	307,523
1000	Total Assets	228,034,843	548,272	228,583,115
DEFERRED OUTFLOWS OF RESOURCES:				
	Deferred Loss on Refunding	4,448,398	-	4,448,398
	Deferred Outflow Related to Pensions	6,016,932	-	6,016,932
	Deferred Outflow Related to OPEB	7,738,991	-	7,738,991
1700	Total Deferred Outflows of Resources	18,204,321	-	18,204,321
LIABILITIES:				
2110	Accounts Payable	5,412,129	196	5,412,325
2140	Interest Payable	305,862	-	305,862
2165	Accrued Liabilities	3,995,719	-	3,995,719
2300	Unearned Revenue	120,645	-	120,645
2400	Payable from Restricted Assets	307,523	-	307,523
	Noncurrent Liabilities			-
2501	Due Within One Year	4,084,344	-	4,084,344
2502	Due in More Than One Year	191,812,638	-	191,812,638
2540	Net Pension Liability	21,139,184	-	21,139,184
2545	Net OPEB Liability	13,707,693	-	13,707,693
2000	Total Liabilities	240,885,737	196	240,885,933
DEFERRED INFLOWS OF RESOURCES:				
	Deferred Gain on Refunding	537,594	-	537,594
	Deferred Inflow Related to Pensions	1,783,798	-	1,783,798
	Deferred Inflow Related to OPEB	12,710,644	-	12,710,644
2600	Total Deferred Inflows of Resources	15,032,036	-	15,032,036
NET POSITION				
3200	Net Investment in Capital Assets	4,843,906	-	4,843,906
	Restricted For:			
3820	Federal and State Programs	919,798	-	919,798
3850	Debt Service	8,690,531	-	8,690,531
3900	Unrestricted	(24,132,844)	548,076	(23,584,768)
3000	Total Net Position	\$ (9,678,609)	\$ 548,076	\$ (9,130,533)

JOSHUA INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2025

Exhibit B-1

Data Control Codes	Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
			Charges for Services	Grants and Contributions	Operating	Governmental Activities	Business-type Activities	Total
	Governmental Activities:							
11	Instruction	\$ 40,850,281	\$ 115,137	\$ 2,198,286		\$ (38,536,858)		\$ (38,536,858)
12	Instructional Resources and Media Services	897,692	20,477	25,238		(851,977)		(851,977)
13	Curriculum and Staff Development	380,484	184	233,851		(146,449)		(146,449)
21	Instructional Leadership	1,456,036	1,633	218,409		(1,235,994)		(1,235,994)
23	School Leadership	4,300,842	405,665	137,991		(3,757,186)		(3,757,186)
31	Guidance, Counseling, and Evaluation Services	2,759,230	17,168	1,011,926		(1,730,136)		(1,730,136)
32	Social Work Services	85,222	-	80,000		(5,222)		(5,222)
33	Health Services	767,092	1,035	18,465		(747,592)		(747,592)
34	Student Transportation	3,592,977	4,686	191,801		(3,396,490)		(3,396,490)
35	Food Service	4,055,746	1,418,400	2,338,111		(299,235)		(299,235)
36	Cocurricular/Extracurricular Activities	2,366,528	511,264	30,028		(1,825,236)		(1,825,236)
41	General Administration	3,342,634	15,480	121,917		(3,205,237)		(3,205,237)
51	Facilities Maintenance and Operations	9,072,031	25,891	331,842		(8,714,298)		(8,714,298)
52	Security and Monitoring Services	2,151,279	1,884	398,339		(1,751,056)		(1,751,056)
53	Data Processing Services	1,475,118	3,774	38,788		(1,432,556)		(1,432,556)
61	Community Services	10,987	2	8,899		(2,086)		(2,086)
72	Interest on Long-term Debt	7,405,621	335	1,399,875		(6,005,411)		(6,005,411)
73	Bond Issuance Costs and Fees	868,806	-	-		(868,806)		(868,806)
81	Capital Outlay	217,430	-	-		(217,430)		(217,430)
93	Payments to Shared Services Arrangements	5,000	-	-		(5,000)		(5,000)
99	Other Intergovernmental Charges	366,024	509	25,815		(339,700)		(339,700)
TG	Total Governmental Activities	86,427,060	2,543,524	8,809,581		(75,073,955)		(75,073,955)
	Business-type Activities:							
01	Club-Excel After School Program	418,554	488,308	20,586		-	\$ 90,340	90,340
TB	Total Business-type Activities	418,554	488,308	20,586		-	90,340	90,340
TP	Total Primary Government	\$ 86,845,614	\$ 3,031,832	\$ 8,830,167		(75,073,955)	90,340	(74,983,615)
	General Revenues:							
MT	Property Taxes, Levied for General Purposes					19,100,696	-	19,100,696
DT	Property Taxes, Levied for Debt Service					12,580,187	-	12,580,187
IE	Investment Earnings					6,121,937	17,170	6,139,107
SF	State Aid-Formula Grants					44,656,544	-	44,656,544
MI	Miscellaneous					10,828,503	-	10,828,503
	Transfers					25,000	(25,000)	-
TR	Total General Revenues					93,312,867	(7,830)	93,305,037
CN	Change in Net Position					18,238,912	82,510	18,321,422
NB	Net Position - Beginning					(27,917,521)	465,566	(27,451,955)
NE	Net Position - Ending					\$ (9,678,609)	\$ 548,076	\$ (9,130,533)

JOSHUA INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2025

Exhibit C-1
Page 1 of 2

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects Fund
ASSETS:				
1110	Cash and Cash Equivalents	\$ 824,430	\$ 30,999	\$ 215,625
1120	Current Investments	5,384,033	8,307,094	113,384,875
1225	Taxes Receivable	1,054,241	516,398	-
1230	Allowance for Uncollectible Taxes (Credit)	(380,402)	(163,410)	-
1240	Due from Other Governments	7,294,637	-	-
1260	Due from Other Funds	491,622	-	-
1300	Inventories	135,625	-	-
1410	Unrealized Expenditures	323,250	-	-
1800	Restricted Assets	307,523	-	-
1000	Total Assets	<u>\$ 15,434,959</u>	<u>\$ 8,691,081</u>	<u>\$ 113,600,500</u>
LIABILITIES:				
2110	Accounts Payable	\$ 649,811	\$ 550	\$ 4,559,772
2160	Accrued Wages Payable	3,733,894	-	-
2170	Due to Other Funds	196	-	-
2300	Unearned Revenue	-	-	-
2400	Payable from Restricted Assets	307,523	-	-
2000	Total Liabilities	<u>4,691,424</u>	<u>550</u>	<u>4,559,772</u>
DEFERRED INFLOWS OF RESOURCES:				
	Property Taxes	673,839	352,988	-
2600	Total Deferred Inflows of Resources	<u>673,839</u>	<u>352,988</u>	<u>-</u>
FUND BALANCES:				
Nonspendable:				
3410	Inventories	135,625	-	-
3430	Prepaid Items	323,250	-	-
Restricted:				
3450	Federal/State Funds Grant Restrictions	-	-	-
3470	Capital Acquisition and Contractual Obligations	-	-	109,040,728
3480	Retirement of Long-Term Debt	-	8,337,543	-
Committed:				
3545	Other - Campus Activity	-	-	-
3600	Unassigned	9,610,821	-	-
3000	Total Fund Balances	<u>10,069,696</u>	<u>8,337,543</u>	<u>109,040,728</u>
4000	Total Liabilities and Fund Balances	<u>\$ 15,434,959</u>	<u>\$ 8,691,081</u>	<u>\$ 113,600,500</u>

JOSHUA INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2025

Exhibit C-1
Page 2 of 2

Data Control Codes		Other Governmental Funds	98 Total Governmental Funds
ASSETS:			
1110	Cash and Cash Equivalents	\$ 409,948	\$ 1,481,002
1120	Current Investments	1,790,374	128,866,376
1225	Taxes Receivable	-	1,570,639
1230	Allowance for Uncollectible Taxes (Credit)	-	(543,812)
1240	Due from Other Governments	810,444	8,105,081
1260	Due from Other Funds	-	491,622
1300	Inventories	-	135,625
1410	Unrealized Expenditures	-	323,250
1800	Restricted Assets	-	307,523
1000	Total Assets	<u>\$ 3,010,766</u>	<u>\$ 140,737,306</u>
LIABILITIES:			
2110	Accounts Payable	\$ 201,996	\$ 5,412,129
2160	Accrued Wages Payable	261,825	3,995,719
2170	Due to Other Funds	491,622	491,818
2300	Unearned Revenue	120,645	120,645
2400	Payable from Restricted Assets	-	307,523
2000	Total Liabilities	<u>1,076,088</u>	<u>10,327,834</u>
DEFERRED INFLOWS OF RESOURCES:			
	Property Taxes	-	1,026,827
2600	Total Deferred Inflows of Resources	<u>-</u>	<u>1,026,827</u>
FUND BALANCES:			
Nonspendable:			
3410	Inventories	-	135,625
3430	Prepaid Items	-	323,250
Restricted:			
3450	Federal/State Funds Grant Restrictions	919,798	919,798
3470	Capital Acquisition and Contractual Obligations	-	109,040,728
3480	Retirement of Long-Term Debt	-	8,337,543
Committed:			
3545	Other - Campus Activity	1,014,880	1,014,880
3600	Unassigned	-	9,610,821
3000	Total Fund Balances	<u>1,934,678</u>	<u>129,382,645</u>
4000	Total Liabilities and Fund Balances	<u>\$ 3,010,766</u>	<u>\$ 140,737,306</u>

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

Exhibit C-1R

Total fund balances - governmental funds balance sheet	\$ 129,382,645
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	1,026,827
Capital assets used in governmental activities are not reported in the funds.	87,789,355
Deferred resource outflows related to the pension plan are not reported in the funds.	6,016,932
Deferred resource outflows related to the OPEB plan are not reported in the funds.	7,738,991
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(21,139,184)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(13,707,693)
Deferred resource inflows related to the pension plan are not reported in the funds.	(1,783,798)
Deferred resource inflows related to the OPEB plan are not reported in the funds.	(12,710,644)
Deferred loss on refunding bonds is not reported in the funds.	4,448,398
Payables for bond principal which are not due in the current period are not reported in the funds.	(180,030,002)
Payables for right-to-use leases which are not due in the current period are not reported in the funds.	(351,044)
Payables for bond interest which are not due in the current period are not reported in the funds.	(305,862)
The accumulated accretion of interest on capital appreciation bonds is not reported in the funds.	(6,029,777)
Premiums on bonds which are not due and payable in the current period are not reported in the funds.	(8,450,944)
Deferred gain on refunding bonds is not reported in the funds.	(537,594)
Payables for right-to-use SBITAs which are not due in the current period are not reported in the funds.	(129,517)
Arbitrage rebate liability is not reported in the funds.	(905,698)
Net position of governmental activities - Statement of Net Position	<u>\$ (9,678,609)</u>

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

Exhibit C-2

Page 1 of 2

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects Fund
REVENUES:				
5700	Local and Intermediate Sources	\$ 20,000,126	\$ 13,063,356	\$ 4,957,683
5800	State Program Revenues	48,204,684	1,386,167	-
5900	Federal Program Revenues	542,310	-	-
5020	Total Revenues	<u>68,747,120</u>	<u>14,449,523</u>	<u>4,957,683</u>
EXPENDITURES:				
Current:				
0011	Instruction	38,428,742	-	-
0012	Instructional Resources and Media Services	849,182	-	-
0013	Curriculum and Staff Development	132,296	-	-
0021	Instructional Leadership	1,222,214	-	-
0023	School Leadership	3,751,573	-	-
0031	Guidance, Counseling, and Evaluation Services	1,665,620	-	-
0032	Social Work Services	-	-	-
0033	Health Services	744,911	-	-
0034	Student Transportation	3,372,812	-	-
0035	Food Service	-	-	-
0036	Cocurricular/Extracurricular Activities	2,041,788	-	-
0041	General Administration	1,933,466	-	1,185,565
0051	Facilities Maintenance and Operations	8,397,662	-	284,744
0052	Security and Monitoring Services	1,226,014	-	479,626
0053	Data Processing Services	1,378,535	-	-
0061	Community Services	1,500	-	-
Debt Service:				
0071	Principal on Long-term Debt	225,284	4,305,000	-
0072	Interest on Long-term Debt	15,770	8,987,882	-
0073	Bond Issuance Costs and Fees	-	3,841	864,965
0081	Facilities Acquisition and Construction	-	-	15,630,308
Intergovernmental:				
0093	Payments to Shared Service Arrangements	-	-	-
0099	Other Intergovernmental Charges	366,024	-	-
6030	Total Expenditures	<u>65,753,393</u>	<u>13,296,723</u>	<u>18,445,208</u>
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	<u>2,993,727</u>	<u>1,152,800</u>	<u>(13,487,525)</u>
Other Financing Sources and (Uses):				
7911	Issuance of Bonds	-	9,040	100,540,960
7912	Sale of Real or Personal Property	13,900	-	-
7913	Issuance of Right-to-Use Leases	54,735	-	-
7915	Transfer In	-	-	-
7916	Premium on Bond Issuance	-	-	6,570,005
7949	Issuance of Right-to-Use SBITAs	144,989	-	-
7949	Other Resources - Insurance Recovery	-	-	10,000,000
7080	Total Other Financing Sources and (Uses)	<u>213,624</u>	<u>9,040</u>	<u>117,110,965</u>
1200	Net Change in Fund Balances	<u>3,207,351</u>	<u>1,161,840</u>	<u>103,623,440</u>
0100	Fund Balances - Beginning	<u>6,862,345</u>	<u>7,175,703</u>	<u>5,417,288</u>
3000	Fund Balances - Ending	<u>\$ 10,069,696</u>	<u>\$ 8,337,543</u>	<u>\$ 109,040,728</u>

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

Exhibit C-2

Page 2 of 2

Data Control Codes		Other Governmental Funds	98 Total Governmental Funds
REVENUES:			
5700	Local and Intermediate Sources	\$ 2,498,749	\$ 40,519,914
5800	State Program Revenues	641,153	50,232,004
5900	Federal Program Revenues	5,089,139	5,631,449
5020	Total Revenues	<u>8,229,041</u>	<u>96,383,367</u>
EXPENDITURES:			
Current:			
0011	Instruction	1,440,728	39,869,470
0012	Instructional Resources and Media Services	23,937	873,119
0013	Curriculum and Staff Development	240,100	372,396
0021	Instructional Leadership	200,769	1,422,983
0023	School Leadership	437,756	4,189,329
0031	Guidance, Counseling, and Evaluation Services	998,974	2,664,594
0032	Social Work Services	80,000	80,000
0033	Health Services	1,596	746,507
0034	Student Transportation	-	3,372,812
0035	Food Service	4,156,280	4,156,280
0036	Cocurricular/Extracurricular Activities	332,833	2,374,621
0041	General Administration	73,106	3,192,137
0051	Facilities Maintenance and Operations	39,527	8,721,933
0052	Security and Monitoring Services	380,777	2,086,417
0053	Data Processing Services	-	1,378,535
0061	Community Services	8,814	10,314
Debt Service:			
0071	Principal on Long-term Debt	-	4,530,284
0072	Interest on Long-term Debt	-	9,003,652
0073	Bond Issuance Costs and Fees	-	868,806
0081	Facilities Acquisition and Construction	-	15,630,308
Intergovernmental:			
0093	Payments to Shared Service Arrangements	5,000	5,000
0099	Other Intergovernmental Charges	-	366,024
6030	Total Expenditures	<u>8,420,197</u>	<u>105,915,521</u>
1100	Excess (Deficiency) of Revenues Over (Under)		
1100	Expenditures	<u>(191,156)</u>	<u>(9,532,154)</u>
Other Financing Sources and (Uses):			
7911	Issuance of Bonds	-	100,550,000
7912	Sale of Real or Personal Property	-	13,900
7913	Issuance of Right-to-Use Leases	-	54,735
7915	Transfer In	25,000	25,000
7916	Premium on Bond Issuance	-	6,570,005
7949	Issuance of Right-to-Use SBITAs	-	144,989
7949	Other Resources - Insurance Recovery	-	10,000,000
7080	Total Other Financing Sources and (Uses)	<u>25,000</u>	<u>117,358,629</u>
1200	Net Change in Fund Balances	<u>(166,156)</u>	<u>107,826,475</u>
0100	Fund Balances - Beginning	2,100,834	21,556,170
3000	Fund Balances - Ending	<u>\$ 1,934,678</u>	<u>\$ 129,382,645</u>

JOSHUA INDEPENDENT SCHOOL DISTRICT**Exhibit C-3**

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

Net change in fund balances - total governmental funds \$ 107,826,475

Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:

Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	216,310
Capital outlays are not reported as expenses in the SOA.	16,268,979
The depreciation / amortization of capital assets used in governmental activities is not reported in the funds.	(5,212,786)
The gain or loss on the sale of capital assets is not reported in the funds.	(2,503)
Proceeds from the sale of capital assets are reported in the funds but not in the SOA.	(13,900)
GASB 68 requires that certain plan expenditures be de-expended and recorded as deferred resource outflows. These pension contributions made after the measurement date of the plan increased ending net position.	2,047,038
Pension contributions made before the measurement date and during the previous fiscal year were expended and recorded as a reduction to net pension liability.	(1,949,288)
Changes in the net pension liability and related deferred inflows and outflows are recognized in the government wide financials but are not reported in the fund financial statements. The net effect of the change is a decrease in net position.	(1,279,272)
GASB 75 requires that certain plan expenditures be de-expended and recorded as deferred resource outflows. These OPEB contributions made after the measurement date of the plan increased net position.	413,641
OPEB contributions made before the measurement date and during the previous fiscal year were expended and recorded as a reduction in the net OPEB liability.	(402,525)
Changes in the net OPEB liability and related deferred inflows and outflows are recognized in the government wide financials but are not reported in the fund financial statements. The net effect of the change is an increase in net position.	1,518,158
Proceeds of bonds do not provide revenue in the SOA, but are reported as other financing sources in the funds	(100,550,000)
Proceeds of leases do not provide revenue in the SOA, but are reported as other financing sources in the funds	(54,735)
Proceeds of SBITAs do not provide revenue in the SOA, but are reported as other financing sources in the funds	(144,989)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	4,305,000
Decrease in accrued interest on bonds from beginning of period to end of period.	(196,407)
The accretion of interest on capital appreciation bonds is not reported in the funds.	2,211,241
Deferred loss on refunding bonds is amortized in the SOA but not in the funds.	(238,439)
Deferred gain on refunding bonds is amortized in the SOA but not in the funds.	76,800
Repayment of lease principal is an expenditure in the funds but is not an expense in the SOA.	130,436
Repayment of SBITA principal is an expenditure in the funds but is not an expense in the SOA.	94,848
Bond premiums on issuance are reported in the funds but not in the SOA.	(6,570,005)
Premiums on bonds are amortized in the SOA but not in the funds.	650,533
The arbitrage rebate liability is not recorded on the fund level as it represents a future liability, and thus is recognized as an increase in long term debt in the government-wide statements.	(905,698)

Change in net position of governmental activities - Statement of Activities	<u>\$ 18,238,912</u>
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JOSHUA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
AUGUST 31, 2025

Exhibit D-1

Data Control Codes		Nonmajor Enterprise Fund	
		Club Excel After-School Program	
	ASSETS:		
	Current Assets:		
1100	Cash and Cash Equivalents	\$	548,076
1260	Due from Other Funds		196
	Total Current Assets		548,272
1000	Total Assets		548,272
	LIABILITIES:		
2100	Accounts Payable		196
2000	Total Liabilities		196
	NET POSITION:		
3900	Unrestricted		548,076
3000	Total Net Position	\$	548,076

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

Exhibit D-2

Data Control Codes		Nonmajor Enterprise Fund
		Club Excel After-School Program
	OPERATING REVENUES:	
5700	Local and Intermediate Sources	\$ 505,479
5800	State Program Revenues	20,586
5020	Total Revenues	<u>526,065</u>
	OPERATING EXPENSES:	
6100	Payroll Costs	385,924
6200	Professional and Contracted Services	4,469
6300	Supplies and Materials	7,536
6400	Other Operating Costs	20,626
6030	Total Expenses	<u>418,555</u>
1300	Income Before Contributions and Transfers	107,510
8911	Transfers Out	(25,000)
1300	Change in Net Position	<u>82,510</u>
0100	Total Net Position - Beginning	465,566
3300	Total Net Position - Ending	<u><u>\$ 548,076</u></u>

JOSHUA INDEPENDENT SCHOOL DISTRICT

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

FOR THE YEAR ENDED AUGUST 31, 2025

Exhibit D-3

	Nonmajor Enterprise Fund <u>Club Excel After-School Program</u>
Cash Flows from Operating Activities	
Cash Received from Customers	\$ 488,309
Cash Received for Grants	20,586
Other Cash Receipts	17,170
Cash Payments to Employees for Services	(385,924)
Cash Payments to Professional and Contracted Services	(4,469)
Cash Payments to Other Suppliers for Goods and Services	(7,536)
Cash Payments for Other Operating Activities	<u>(20,626)</u>
Net Cash Provided (Used) by Operating Activities	<u>107,510</u>
Cash Flows from Non-capital Financing Activities:	
Transfers to Other Funds	<u>(25,000)</u>
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(25,000)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	82,510
Cash and Cash Equivalents at Beginning of Year	<u>465,566</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 548,076</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ 107,510
Change in Assets and Liabilities:	
Increase in due from other funds	(196)
Increase in accounts payable	<u>196</u>
Total Adjustments	<u>-</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 107,510</u></u>

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

Exhibit E-1

Data Control Codes		Custodial Funds
	ASSETS:	
1110	Cash and Cash Equivalents	\$ 602,886
1000	Total Assets	602,886
	LIABILITIES:	
2000	Total Liabilities	-
	NET POSITION:	
3800	Restricted for Student Activities	602,886
3000	Total Net Position	\$ 602,886

JOSHUA INDEPENDENT SCHOOL DISTRICT**Exhibit E-2**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

FOR THE YEAR ENDED AUGUST 31, 2025

	Custodial Funds
ADDITIONS:	
Revenues from Student Activities	\$ 775,001
Total Additions	<u>775,001</u>
DEDUCTIONS:	
Payments for Student Activities	<u>695,684</u>
Total Deductions	<u>695,684</u>
Change in Fiduciary Net Position	79,317
Net Position-Beginning of the Year	<u>523,569</u>
Net Position-End of the Year	<u><u>\$ 602,886</u></u>

JOSHUA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2025

A. Summary of Significant Accounting Policies

The basic financial statements of Joshua Independent School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide ("Resource Guide"). The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental reporting entity and there are no component units included within the District's reporting entity.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

Debt Service Fund: This fund is used to account for and report financial resources restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Fund: This fund is used to account for all financial resources restricted, committed, or assigned to expenditures for the acquisition or construction of capital assets.

JOSHUA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2025

The District reports the following nonmajor enterprise funds:

Club Excel After School Program Fund: This fund accounts for all resources and expenses of the after-school care program.

In addition, the District reports the following fund types:

Custodial Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity. Custodial funds typically involve only the receipt, temporary investment, and remittance of the fiduciary resources to individuals, private organizations, or other governments.

Custodial funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee capacity, and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. **Measurement Focus, Basis of Accounting**

Government-wide, Proprietary, and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under lease contracts and subscription-based information technology arrangements are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

3. **Financial Statement Amounts**

a. **Cash and Cash Equivalents**

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

JOSHUA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2025

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property 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, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

Allowances for uncollectible tax receivables 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.

c. Inventories and Prepaid Items

Inventory on the balance sheet at August 31, 2025 consists of transportation fleet fuel. Fuel inventory is calculated at cost using weighted-average method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets or donated works of art and similar items are recorded at their acquisition value at the date of the donation. The cost of maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used. Significant accounting policies for right-to-use assets are located at Note F for leases and Note G for Subscription-Based IT Arrangements (SBITAs).

Capital assets are being depreciated / amortized using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings & Improvements	5-30 years
Equipment	5-26 years
Right-to-Use Assets Leases	1-5 years
Right-to-Use Assets SBITAs	3 years

e. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide statement of net position and governmental funds balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense / expenditure) until then.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

JOSHUA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2025

f. Receivable and Payable Balances

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

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

g. Compensated Absences

The District pays unused local sick leave earned after April 17, 1995 to employees who retire from employment with the District after working at least ten consecutive years with the District. Reimbursement shall be made at the rate of substitute pay at the time of retirement. The District calculated this potential liability, and it is not material to the financial statements; therefore, it has not been accrued on the Statement of Net Position.

h. Interfund Activity

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

i. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

j. Data Control Codes

Data Control Codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

k. Fund Balances – Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of formal action by the District's Board of Trustees, which is a Board resolution. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of formal action. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

JOSHUA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2025

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself. The District has designated the Superintendent and Assistant Superintendent of Business and Finance as the officials who are authorized to assign fund balance to a specific purpose.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

The District established a minimum unassigned General Fund fund balance target of 15-20% of the subsequent year's budgeted expenditures and transfers. The District was in compliance with this policy at year end.

I. Net Position Flow Assumption

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

m. Fund Balance Flow Assumptions

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

4. Pensions

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

JOSHUA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2025

5. 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 other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to / deductions from TRS-Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

6. Implementation of New Standards

In the current fiscal year, the District implemented the following new standard. The applicable provisions of the new standard are summarized below. Implementation is reflected in the financial statements and the notes to the financial statements.

GASB Statement No. 101, *Compensated Absences*

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

The District reviewed its compensated absence policies, historical leave usage, and accrual practices to determine whether liability should be recognized under the new standard. Based on this review the District determined that there was no liability that met the recognition criteria under GASB 101. Accordingly, there was no effect on the District's financial statements as a result of implementing GASB Statement No. 101.

B. Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank 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 depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

1. Cash Deposits:

At August 31, 2025, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$3,963,400 and the bank balance was \$4,446,119. The District's cash deposits at August 31, 2025 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

JOSHUA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2025

2. Investments:

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

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

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

The District's investments at August 31, 2025 consisted of long-term certificates of deposits and local government investment pools (LGIP). Certificates of deposit are entirely covered by FDIC and pledged collateral by the bank and are included in the balance in Note B-1.

The District's investments at August 31, 2025 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Lone Star - LGIP		
Corporate Overnight Fund	Wtd Avg = 44 days	\$ 115,395,751
Corporate Overnight Plus Fund	Wtd Avg = 52 days	12,127,817
Government Overnight Fund	Wtd Avg = 52 days	11,371
Certificates of Deposit	Wtd Avg = < 2 years	<u>1,331,437</u>
Total Investments		<u>\$ 128,866,376</u>

3. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

At August 31, 2025, the District's investments, other than those which are obligations of or guaranteed by the U. S. Government, are rated as to credit quality as follows:

Lone Star LGIP

AAAm

JOSHUA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2025

b. Custodial Credit Risk

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 government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

The District reports its local government investment pools (Pools) at amortized cost as permitted by GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. In addition, the Pools do not have any limitations or restrictions on withdrawals such as notice periods or maximum transaction amounts. The Pools do not impose any liquidity fees or redemption gates.

JOSHUA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2025

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: (1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; (2) maintain a continuous rating of no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service; and (3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

Lone Star

The Lone Star Investment Pool (Lone Star) is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Texas Government Code, Chapter 791, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. Lone Star is administered by First Public, a subsidiary of the Texas Association of School Boards (TASB), with Standish and American Beacon Advisors managing the investment and reinvestment of Lone Star's assets. State Street Bank provides custody and valuation services to Lone Star. All of the board of trustees' eleven members are Lone Star participants by either being employees or elected officials of a participant. Lone Star has established an advisory board composed of both pool members and non-members. Lone Star has 3 different funds: Government Overnight, Corporate Overnight, and Corporate Overnight Plus. Lone Star is rated AAAM by Standard and Poor's. Government and Corporate Overnight maintain a net asset value of one dollar and the Corporate Overnight Plus maintains a net asset value of 50 cents. Lonestar is marked to market daily to maintain an accurate net asset value. The District's fair value in Lonestar is the same as the value of the pool shares.

JOSHUA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2025

C. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated / amortized:				
Land	\$ 6,597,782	\$ -	\$ -	\$ 6,597,782
Construction in Progress	-	12,487,696	-	12,487,696
Total capital assets not being depreciated / amortized	<u>6,597,782</u>	<u>12,487,696</u>	<u>-</u>	<u>19,085,478</u>
Capital assets being depreciated / amortized:				
Buildings and improvements	147,951,386	3,249,478	-	151,200,864
Furniture and equipment	9,877,288	332,081	78,223	10,131,146
Right-to-use assets - leases	793,865	54,735	243,761	604,839
Right-to-use assets - SBITAs	293,463	144,989	-	438,452
Total capital assets being depreciated / amortized	<u>158,916,002</u>	<u>3,781,283</u>	<u>321,984</u>	<u>162,375,301</u>
Less accumulated depreciation / amortization for:				
Buildings and improvements	(81,251,622)	(4,134,876)	-	(85,386,498)
Furniture and equipment	(6,968,429)	(800,069)	(61,820)	(7,706,678)
Right-to-use assets - leases	(378,930)	(131,691)	(243,761)	(266,860)
Right-to-use assets - SBITAs	(165,238)	(146,150)	-	(311,388)
Total accumulated depreciation / amortization	<u>(88,764,219)</u>	<u>(5,212,786)</u>	<u>(305,581)</u>	<u>(93,671,424)</u>
Total capital assets being depreciated / amortized, net	<u>70,151,783</u>	<u>(1,431,503)</u>	<u>16,403</u>	<u>68,703,877</u>
Governmental activities capital assets, net	<u>\$ 76,749,565</u>	<u>\$ 11,056,193</u>	<u>\$ 16,403</u>	<u>\$ 87,789,355</u>

Depreciation / amortization was charged to functions as follows:

Instruction	\$ 2,778,129
Instructional resources and media services	56,994
Curriculum and staff development	24,309
Instructional leadership	92,887
School leadership	273,465
Guidance, counseling, and evaluation services	173,935
Social Work Services	5,222
Health services	48,729
Student transportation	220,165
Food services	271,307
Extracurricular activities	155,007
General administration	208,372
Plant maintenance and operations	569,163
Security and monitoring services	172,269
Data processing services	162,159
Community services	673
	<u>\$ 5,212,786</u>

JOSHUA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2025

D. Interfund Balances and Activities

1. Due To and From Other Funds

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

Due To Fund	Due From Fund	Amount
General Fund	Nonmajor Governmental Funds	\$ 491,622
Nonmajor Enterprise Fund	General Fund	196
	Total	<u>\$ 491,818</u>

The outstanding balances between funds result mainly from the time lag between the dates that reimbursable expenditures occur or deposits of revenue are received, the dates the transactions are recorded in the accounting system, and the date the interfund payments are actually settled. All interfund receivables will be liquidated within the next fiscal year. In the government-wide financial statements, all interfund transactions for receivables and payables have been eliminated.

2. Transfers To and From Other Funds

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

Transfers To	Transfers From	Amount	Reason
Nonmajor Governmental Fund	Nonmajor Enterprise Funds	\$ 25,000	Excess fund balance paid out to Special Revenue Fund.
	Total	<u>\$ 25,000</u>	

E. Long-Term Obligations

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

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2025, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
General Obligation Bonds	\$ 83,785,002	\$ 100,550,000	\$ 4,305,000	\$ 180,030,002	\$ 3,890,000
Premium on Bonds	2,531,472	6,570,005	650,533	8,450,944	-
Accum. Accretion on CABs	8,241,018	-	2,211,241	6,029,777	-
Arbitrage Rebate Liability	-	905,698	-	905,698	-
Net Pension Liability*	25,963,554	-	4,824,370	21,139,184	-
Net OPEB Liability*	10,462,829	3,244,864	-	13,707,693	-
Lease Liability	426,745	54,735	130,436	351,044	114,494
SBITA Liability	79,376	144,989	94,848	129,517	79,850
Total governmental activities	<u>\$ 131,489,996</u>	<u>\$ 111,470,291</u>	<u>\$ 12,216,428</u>	<u>\$ 230,743,859</u>	<u>\$ 4,084,344</u>

* Other long-term liabilities

JOSHUA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2025

The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Net Pension Liability *	Governmental	General
Net OPEB Liability *	Governmental	General

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2025, are as follows:

Year Ending August 31	Governmental Activities		
	Bonds		Total
	Principal	Interest	
2026	\$ 3,890,000	\$ 9,649,808	\$ 13,539,808
2027	3,420,000	10,117,783	13,537,783
2028	6,850,000	6,676,783	13,526,783
2029	7,145,000	6,458,081	13,603,081
2030	7,420,000	6,175,785	13,595,785
2031-2035	42,410,000	25,923,455	68,333,455
2036-2040	41,330,000	17,711,160	59,041,160
2041-2045	42,765,000	9,957,488	52,722,488
2046-2050	24,800,002	2,528,600	27,328,602
Totals	\$ 180,030,002	\$ 95,198,943	\$ 275,228,945

The interest rate on the Unlimited Tax Refunding Bonds, Series 1996-C is 5.5% and matures on February 15, 2026.

The interest rate on the Unlimited Tax Building Bonds, Series 2015 ranges from 4.00% to 5.00% and matured on August 15, 2025.

The interest rate on the Unlimited Tax Refunding Bonds Series 2015 ranges from 2.50% to 4.00% matures on February 15, 2038.

The interest rate on the Unlimited Tax Refunding Bonds Series 2016 ranges from 3.00% to 5.00% and matures on February 15, 2037.

The interest rate on the Unlimited Tax Refunding Bonds, Series 2020 ranges from .242% to 2.519% and matures on August 15, 2045.

The interest rate on the Unlimited Tax Building Bonds, Series 2024 ranges from 4% to 5% and matures on August 15, 2049.

The District did not have any direct borrowings or direct placements as defined by GASB No. 88. Additionally, the District did not have any lines of credit, assets of which are pledged as collateral for debt, or debt with terms specified in debt agreements related to significant events of default with finance-related consequences, termination events with finance-related consequences, or subjective acceleration clauses as of August 31, 2025.

JOSHUA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2025

F. Leases

The District is a lessee for noncancelable leases of equipment. The District recognizes a lease liability, reported with long-term debt, and a right-to-use lease asset, reported with other capital assets, in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of \$5,000 or more.

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

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

- The District uses its estimated incremental borrowing rate as the discount rate for the lease.
- The lease term includes the noncancelable period of the lease.
- Lease payments included in the measurement of the liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or a rate, payments for penalties of terminating the lease, lease incentives receivable from the vendor, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

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

There were no variable payments or residual value guarantees or penalties not included in the measurement of the lease. The District did not have any commitments under lease not yet commenced at year-end, components of losses associated with asset impairments, or sublease transactions for fiscal year 2025.

The lease with Xerox matured on September 1, 2024 and is for copier equipment with an initial value of \$16,384 payable in monthly installments of \$469 at an interest rate of 2%.

The lease with Xerox matures on April 16, 2026, and is for copier equipment with an initial value of \$8,261 payable in monthly installments of \$179 at an interest rate of 2%.

The lease with Xerox matures on October 21, 2026, and is for copier equipment with an initial value of \$2,921 payable in monthly installments of \$63 at an interest rate of 2%.

The lease with Xerox matures on October 21, 2025, and is for copier equipment with an initial value of \$23,899 payable in monthly installments of \$685 at an interest rate of 2%.

The lease with Xerox matures on December 16, 2025, and is for copier equipment with an initial value of \$20,266 payable in monthly installments of \$580 at an interest rate of 2%.

The lease with Xerox matures on January 15, 2027, and is for copier equipment with an initial value of \$17,606 payable in monthly installments of \$382 at an interest rate of 2%.

The lease with Xerox matures on January 15, 2026, and is for copier equipment with an initial value of \$11,928 payable in monthly installments of \$342 at an interest rate of 2%.

The lease with Xerox matures on February 15, 2026, and is for copier equipment with an initial value of \$14,218 payable in monthly installments of \$407 at an interest rate of 2%.

The lease with Xerox matures on February 15, 2027, and is for copier equipment with an initial value of \$9,588 payable in monthly installments of \$208 at an interest rate of 2%.

JOSHUA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2025

The lease with Xerox matures on April 18, 2027, and is for copier equipment with an initial value of \$5,658 payable in monthly installments of \$123 at an interest rate of 2%.

The lease with Xerox matures on April 26, 2027, and is year for copier equipment with an initial value of \$6,776 payable in monthly installments of \$147 at an interest rate of 2%.

The lease with FCP Enterprises, LLC. matures on April 3, 2028, and is for defibrillators with an initial value of \$165,233 payable in annual installments of \$35,928 beginning in fiscal year 2024 and an initial payment of \$28,428 in fiscal year 2023 at an interest rate of 2%.

The lease with Xerox matures on January 17, 2028, for copier equipment with an initial value of \$3,288 payable in monthly installments of \$71 at an interest rate of 2%.

The lease with Cannon matures on September 9, 2029, for copier equipment with an initial value of \$266,361 payable in monthly installments of \$4,457 at an interest rate of 2%.

The lease with Huntington Technology matures on September 1, 2030, and is for body cameras with an initial value of \$54,735 payable in annual installments of \$11,612 at an interest rate of 2%.

Future lease payment maturity schedule is as follows:

Year Ending				
August 31	Principal	Interest	Total	
2026	\$ 114,494	\$ 6,311	\$ 120,805	
2027	103,171	4,156	107,327	
2028	63,296	2,161	65,457	
2029	64,210	891	65,101	
2030	5,873	7	5,880	
Totals	<u>\$ 351,044</u>	<u>\$ 13,526</u>	<u>\$ 364,570</u>	

G. Subscription Based IT Arrangements

The District is a contractee for noncancelable Subscription-Based IT Arrangements (SBITAs). The District recognizes a SBITA liability, reported with long-term debt, and a right-to-use lease asset, reported with other capital assets, in the government-wide financial statements. The District recognizes SBITA liabilities with an initial, individual value of \$25,000 or more.

At the commencement of a SBITA, the District measures the SBITA liability at the present value of payments expected to be made during the SBITA term. Subsequently, the SBITA liability is reduced by the principal portion of SBITA payments. The SBITA asset is initially measured at the initial amount of the SBITA liability, adjusted for SBITA payments made at or before the commencement of the SBITA term, plus capitalizable initial implementation costs as described in GASB 96 paragraph 29(b). Subsequently, the SBITA asset is amortized on a straight-line basis over the shorter of the SBITA term or it's useful life.

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

- The District uses its estimated incremental borrowing rate as the discount rate for the SBITA.
- The SBITA term includes the noncancelable period of the SBITA.
- SBITA payments included in the measurement of the liability are composed of fixed payments, variable payments fixed in substance or that depend on an index or a rate, payments for penalties of terminating the SBITA, SBITA incentives receivable from the vendor, and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

JOSHUA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2025

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

There were no variable payments or residual value guarantees or penalties not included in the measurement of the SBITAs. The District did not have any commitments under SBITAs not yet commenced at year-end or components of losses associated with asset impairments for fiscal year 2025.

The SBITA with Odysseyware, matures on September 2, 2025, with an initial value of \$49,995 and was paid in full at the commencement of the SBITA.

The SBITA with Lightspeed Filer and Classroom Management matures on September 30, 2025, with an initial value of \$101,460 and was paid in full at the commencement of the SBITA.

The SBITA with Raptor Emergency Management Suite matures on October 7, 2025, with an initial value of \$50,797 payable in annual installments of \$18,000 at an interest rate of 3.12%.

The SBITA with Barracuda Spam Filter matures on October 2, 2026, with an initial value of \$91,211 payable in annual installments of \$32,718 at an interest rate of 3.76%.

The SBITA with ClassLink matures on September 2, 2027, with an initial value of \$67,036 payable in annual installments of \$23,606 at an interest rate of 2.8%.

The SBITA with Google Workspace matures on September 2, 2027, with an initial value of \$77,952 payable in annual installments of \$27,450 at an interest rate of 2.8%.

Future SBITA payment maturity schedule is as follows:

Year Ending				
August 31	Principal	Interest	Total	
2026	\$ 79,850	\$ 3,924	\$ 83,774	
2027	49,667	1,388	51,055	
Totals	<u>\$ 129,517</u>	<u>\$ 5,312</u>	<u>\$ 134,829</u>	

H. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2025, Joshua ISD carried insurance through various plans described below. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

Property Casualty Program

During the year ended August 31, 2025 the District participated in the Property Casualty Alliance of Texas (the Fund). The Fund was created pursuant to the provisions of the Interlocal Cooperation Act, Chapter 791, Title 7 of the Texas Government Code. All districts participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The fund provides property and casualty coverage and services to its members.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any covered claim in excess of the Fund's self-insured retentions. The Fund uses the services of an independent actuary to determine the reserve adequacy. As of August 31, 2024, the Fund carries a total of \$15,042,461 in current loss reserves, including \$4,673,631 for claims incurred but not yet reported. Losses and reserves are based on estimates and could be more or less than originally estimated.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year. The fund's audited financial statements are available for inspection at the Fund's administrative offices.

JOSHUA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2025

Workers' Compensation

The District participates in the Public Workers' Compensation Program (PWCP), a fully-funded guaranteed costs workers' compensation program serving school districts and counties throughout Texas. The plan for workers' compensation benefits is authorized by Section 504.011 of the Labor Code. Claims are paid by a third-party administrator acting on behalf of the District under the terms of a contractual agreement. Administrative fees are included within the provisions of that agreement.

The District established a partially self-funded workers' compensation plan by participating in the Texas Educational Insurance Association (Association) until FY2014. The District is now in the Public Workers' Compensation Program as described above. The District continues to pay into the Educational Texas Insurance Association for claims incurred in plan years 2003-2004 through 2012-2013. The Association is a public entity risk pool currently operating as a common risk management and insurance program for member colleges and school districts. The main purpose of the Association is to partially self-insure certain workers' compensation risks up to an agreed upon retention limit. The plan for workers' compensation benefits is authorized by Section 504.011 of the Labor Code. Claims are paid by a third-party administrator acting on behalf of the District under the terms of a contractual agreement. Administrative fees are included within the provisions of that agreement. The liability of the workers' compensation self-insurance plan includes \$2,194 incurred but not reported claims. Estimates of claims payable and of claims incurred but not reported at August 31, 2025, are reflected as accounts and claims payable in the General Fund. The plan is funded to discharge liabilities of the fund as they become due.

Changes in the balances of claim liabilities from the Claims Administrative Services during the past year are as follows:

	Year ended 8/31/2025	Year ended 8/31/2024
Unpaid claims, beginning of year	\$ 18,044	\$ 27,060
Incurred claims	(2,103)	(6,139)
Claim payments	(2,517)	(2,877)
Unpaid claims, end of year	<u>\$ 13,424</u>	<u>\$ 18,044</u>

Unemployment Compensation

During the year ended August 31, 2025, Joshua ISD met its statutory unemployment compensation obligations by participating as a self-funded member of the TASB Risk Management Fund (the "Fund:"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

As a self-funded member of the TASB Risk Management Fund, Joshua ISD is solely responsible for all unemployment compensation claim costs, both reported and unreported. The Fund provides administrative services to its self-funded members including claims administrative and customer service.

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

JOSHUA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2025

I. Pension Plan

1. Plan Description

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

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

2. Pension Plan Fiduciary Net Position

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

3. 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% (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 in under a previous rule. There are no automatic post-employment benefit changes; including automatic cost of living adjustments (COLAs). Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan Description in (1) 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.

JOSHUA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2025

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.

4. Contributions

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

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

<u>Contribution Rates</u>		
	<u>2024</u>	<u>2025</u>
Member	8.25%	8.25%
Non-Employer Contributing Entity (State)	8.25%	8.25%
Employers	8.25%	8.25%
District's 2025 Employer Contributions		\$ 2,047,038
District's 2025 Member Contributions		\$ 3,999,559
2024 NECE On-Behalf Contributions (State)		\$ 2,739,102

Contributors to the plan include active members, employers, and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges and universities, medical schools and state 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 school, junior college, 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 or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

In addition to the employer contributions listed above, there is an additional surcharge an employer is subject to.

- All public schools, charter schools, and regional educational service centers must contribute 1.9% of the member's salary beginning in fiscal year 2024, gradually increasing to 2% in fiscal year 2025.
- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

JOSHUA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2025

5. 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 Rate	7.00%
Municipal Bond Rate as of August 2024	3.87% *
Last year ending August 31 in Projection Period (100 years)	2123
Inflation	2.30%
Salary Increases including inflation	2.95% to 8.95%
Ad hoc post-employment benefit changes	None

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

The actuarial methods and assumptions used in the determination of the 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.

6. Discount Rate

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

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

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

JOSHUA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2025

Asset Class *	Target Allocation **	Long-Term Expected Arithmetic Real Rate of Return ***	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.00%	4.40%	1.00%
Non-U.S. Developed	13.00%	4.20%	0.80%
Emerging Markets	9.00%	5.20%	0.70%
Private Equity	14.00%	6.70%	1.20%
Stable Value			
Government Bonds	16.00%	1.90%	0.40%
Stable Value Hedge Funds	5.00%	3.00%	0.20%
Absolute Return*	0.00%	4.00%	0.00%
Real Return			
Real Estate	15.00%	6.60%	1.20%
Energy, Natural Resources and Infrastructure	6.00%	5.60%	0.40%
Commodities	0.00%	2.50%	0.00%
Risk Parity	8.00%	4.00%	0.40%
Asset Allocation Leverage			
Cash	2.00%	1.00%	0.00%
Asset Allocation Leverage	-6.00%	1.30%	-0.10%
Inflation Expectation			2.40%
Volatility Drag ****			-0.70%
Expected Return	100.00%		7.90%
* Absolute Return includes Credit Sensitive Investments. ** Target allocations are based on the FY2024 policy model. *** Capital Market Assumptions (CMA) come from 2024 SAA Study CMA Survey (as of 12/31/2023). **** The volatility drag results from the conversion between arithmetic and geometric mean returns.			

7. 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 the net pension liability:	\$ 33,764,632	\$ 21,139,184	\$ 10,678,101

JOSHUA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2025

8. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At August 31, 2025, the District reported a liability of \$21,139,184 for its proportionate share of the TRS 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	\$ 21,139,184
State's proportionate share that is associated with District	<u>29,690,378</u>
Total	<u>\$ 50,829,562</u>

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 District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2023 through August 31, 2024.

At August 31, 2024 the employer's proportion of the collective net pension liability was 0.034607%, which was a decrease of 0.003191% from its proportion measured as of August 31, 2023.

9. 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 fiscal year ended August 31, 2025, the District recognized pension expense of \$6,777,056 and revenue of \$3,548,496 for support provided by the State.

At August 31, 2024, the District reported its proportionate share of the TRS 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 Actuarial Experience	\$ 1,165,163	\$ 165,044
Changes in Actuarial Assumptions	1,091,461	146,328
Difference Between Projected and Actual Investment Earnings	128,497	-
Changes in Proportion and Difference between District's Contributions and the Proportionate Share of Contributions	1,584,773	1,472,426
Contributions paid to TRS subsequent to the measurement date of the Net Pension Liability	<u>2,047,038</u>	<u>-</u>
Total	<u>\$ 6,016,932</u>	<u>\$ 1,783,798</u>

JOSHUA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2025

The District recognized \$2,047,038 as deferred outflows of resources related to pension 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 August 31, 2025. The other amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended August 31	Pension Expense Amount
2025	\$ 246,414
2026	2,399,673
2027	332,350
2028	(673,283)
2029	(119,058)
Thereafter	-

J. Defined Other Post-Employment Benefit Plans

1. Plan Description

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan 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.

2. OPEB Plan Fiduciary Net Position

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

3. 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 cost of living adjustments (COLAs).

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

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

JOSHUA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2025

4. 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.

Section 1575.202 of the Texas Insurance Code establishes the State's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of Salary. Section 1575.204 establishes a public school contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the employer. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act, which is 0.75% of each active employee's pay for fiscal year 2024. The following table shows contributions to the TRS-Care plan by type of contributor.

<u>Contribution Rates</u>		
	<u>2024</u>	<u>2025</u>
Member	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding remitted by Employers	1.25%	1.25%
District's 2025 Employer Contributions	\$	413,641
District's 2025 Member Contributions	\$	312,320
2024 NECE On-Behalf Contributions (State)	\$	514,023

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.

5. Actuarial Assumptions

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

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

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

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

JOSHUA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2025

Additional Actuarial Methods and Assumptions:

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

6. Discount Rate

A single discount rate of 3.87% was used to measure the Total OPEB Liability. This was a decrease of .26% 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.

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% lower than and 1% 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%)
District's proportionate share of the net OPEB liability:	\$ <u>16,285,350</u>	\$ <u>13,707,693</u>	\$ <u>11,624,884</u>

8. Healthcare Trend Rate 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 in the Healthcare Trend Rate	Current Single Healthcare Trend Rate	1% Increase in the Healthcare Trend Rate
District's proportionate share of the net OPEB liability:	\$ <u>11,162,881</u>	\$ <u>13,707,693</u>	\$ <u>17,023,837</u>

JOSHUA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2025

9. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At August 31, 2025, the District reported a liability of \$13,707,693 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	\$ 13,707,693
State's proportionate share that is associated with District	<u>17,175,554</u>
Total	<u><u>\$ 30,883,247</u></u>

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

At August 31, 2024 the District's proportion of the collective net OPEB liability was 0.045163%, which was a decrease of 0.002098% from its proportion measured as of August 31, 2023.

10. Changes Since the Prior Actuarial Valuation

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

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

Changes of Benefit Terms Since the Prior Measurement Date - There were no changes in benefit terms since the prior measurement date.

The amount of OPEB expense recognized by the District in the reporting period was (\$3,348,138) and revenue of (\$2,232,505) for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Actuarial Experience	\$ 2,627,305	\$ 6,840,882
Changes in Actuarial Assumptions	1,754,423	4,472,662
Difference Between Projected and Actual Investment Earnings	-	38,386
Changes in Proportion and Difference between District's Contributions and the Proportionate Share of Contributions	2,943,622	1,358,714
Contributions paid to TRS subsequent to the measurement date of the Net OPEB Liability	<u>413,641</u>	<u>-</u>
Total	<u><u>\$ 7,738,991</u></u>	<u><u>\$ 12,710,644</u></u>

JOSHUA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2025

The District recognized \$413,641 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 OPEB liability in the fiscal year ended August 31, 2026. The other amounts of the District's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ended August 31	OPEB Expense Amount
2025	\$ (1,464,719)
2026	(843,879)
2027	(1,284,870)
2028	(1,084,578)
2029	(635,446)
Thereafter	(71,802)

11. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal year ended August 31, 2025, the subsidy payment received by TRS-Care on behalf of the District was \$302,261.

K. Employee Health Care Coverage

During the year ended August 31, 2025, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$300 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third-party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

The contract between the District and the third-party administrator is renewable annually, and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for the Plan are available and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

L. Commitments and Contingencies

1. Contingencies

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

2. Litigation

No reportable litigation was pending against the District at August 31, 2025.

JOSHUA INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2025

3. Construction Commitments

The District has commitments for outstanding construction bond projects related to the 2024 bond in the amount of \$17,209,493.

M. Shared Services Arrangements

Shared Services Arrangement - Membership

The District participates in a shared services arrangement ("SSA") for deaf education with the following school districts:

Member Districts

Alvarado ISD	Cleburne ISD
Burleson ISD	Johnson County SSA
Everman ISD	Crowley ISD

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in capital assets purchased by the fiscal agent, Crowley ISD, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

N. Subsequent Events

The District evaluated subsequent events through December 12, 2025, the date the financial statements were available to be issued, and nothing significant requiring disclosure was noted.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

JOSHUA INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2025

Exhibit G-1

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	REVENUES:				
5700	Local and Intermediate Sources	\$ 20,163,460	\$ 19,997,336	\$ 20,000,126	\$ 2,790
5800	State Program Revenues	41,955,040	48,687,235	48,204,684	(482,551)
5900	Federal Program Revenues	895,500	550,100	542,310	(7,790)
5020	Total Revenues	63,014,000	69,234,671	68,747,120	(487,551)
	EXPENDITURES:				
	Current:				
	Instruction and Instructional Related Services:				
0011	Instruction	37,022,363	39,392,148	38,428,742	963,406
0012	Instructional Resources and Media Services	822,002	897,002	849,182	47,820
0013	Curriculum and Instructional Staff Development	116,575	216,575	132,296	84,279
	Total Instruction and Instr. Related Services	37,960,940	40,505,725	39,410,220	1,095,505
	Instructional and School Leadership:				
0021	Instructional Leadership	1,258,128	1,278,128	1,222,214	55,914
0023	School Leadership	3,811,361	3,836,361	3,751,573	84,788
	Total Instructional and School Leadership	5,069,489	5,114,489	4,973,787	140,702
	Student Support Services:				
0031	Guidance, Counseling and Evaluation Services	1,666,149	1,766,149	1,665,620	100,529
0033	Health Services	838,060	858,060	744,911	113,149
0034	Student Transportation	3,694,000	3,558,000	3,372,812	185,188
0036	Extracurricular Activities	1,896,398	2,201,398	2,041,788	159,610
	Total Student Support Services	8,094,607	8,383,607	7,825,131	558,476
	Administrative Support Services:				
0041	General Administration	1,947,594	2,112,594	1,933,466	179,128
	Total Administrative Support Services	1,947,594	2,112,594	1,933,466	179,128
	Support Services:				
0051	Facilities Maintenance and Operations	8,843,271	8,668,271	8,397,662	270,609
0052	Security and Monitoring Services	1,462,147	1,348,032	1,226,014	122,018
0053	Data Processing Services	1,454,453	1,564,453	1,378,535	185,918
	Total Support Services	11,759,871	11,580,756	11,002,211	578,545
	Ancillary Services:				
0061	Community Services	1,500	2,500	1,500	1,000
	Total Ancillary Services	1,500	2,500	1,500	1,000
	Debt Service:				
0071	Principal on Long-Term Debt	-	250,000	225,285	24,715
0072	Interest on Long-Term Debt	-	-	15,769	(15,769)
	Total Debt Service	-	250,000	241,054	8,946
0099	Other Intergovernmental Charges	385,000	385,000	366,024	18,976
	Total Intergovernmental Charges	385,000	385,000	366,024	18,976
6030	Total Expenditures	\$ 65,219,001	\$ 68,334,671	\$ 65,753,393	\$ 2,580,278

JOSHUA INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2025

Exhibit G-1

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	\$ (2,205,001)	\$ 900,000	\$ 2,993,727	\$ 2,093,727
	Other Financing Sources (Uses):				
7912	Sale of Real and Personal Property	-	-	13,900	13,900
7913	Issuance of Right-to-Use Leases	-	54,735	54,735	-
7949	Issuance of Right-to-Use SBITAs	-	195,265	144,989	(50,276)
7080	Total Other Financing Sources and (Uses)	-	250,000	213,624	(36,376)
1200	Net Change in Fund Balance	(2,205,001)	1,150,000	3,207,351	2,057,351
0100	Fund Balance - Beginning	6,862,345	6,862,345	6,862,345	-
3000	Fund Balance - Ending	\$ 4,657,344	\$ 8,012,345	\$ 10,069,696	\$ 2,057,351

JOSHUA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN MEASUREMENT YEARS

Exhibit G-2

	Measurement Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.035%	0.038%	0.035%	0.032%	0.032%	0.032%	0.031%	0.029%	0.029%	0.026%
District's proportionate share of the net pension liability	\$ 21,139,184	\$ 25,963,554	\$ 20,634,721	\$ 8,034,745	\$ 17,121,729	\$ 16,800,308	\$ 17,184,886	\$ 9,385,908	\$ 11,113,826	\$ 9,346,223
State's proportionate share of the net pension liability associated with the District	29,690,378	32,915,028	29,040,267	13,099,254	28,995,294	26,696,040	28,554,259	16,073,432	19,435,637	19,935,591
Total	<u>\$ 50,829,562</u>	<u>\$ 58,878,582</u>	<u>\$ 49,674,988</u>	<u>\$ 21,133,999</u>	<u>\$ 46,117,023</u>	<u>\$ 43,496,348</u>	<u>\$ 45,739,145</u>	<u>\$ 25,459,340</u>	<u>\$ 30,549,463</u>	<u>\$ 29,281,814</u>
District's covered payroll	\$ 48,791,199	\$ 47,677,891	\$ 43,376,545	\$ 40,253,531	\$ 40,813,025	\$ 37,194,486	\$ 35,208,757	\$ 32,539,461	\$ 31,640,997	\$ 30,035,677
District's proportionate share of the net pension liability as a percentage of its covered payroll	43.33%	54.46%	47.57%	19.96%	41.95%	45.17%	48.81%	28.84%	35.12%	31.12%
Plan fiduciary net position as a percentage of the total pension liability	77.51%	73.15%	75.62%	88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%

JOSHUA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S PENSION CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS

Exhibit G-3

	Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 2,047,038	\$ 1,949,288	\$ 1,945,246	\$ 1,600,347	\$ 1,334,835	\$ 1,318,775	\$ 1,131,170	\$ 1,011,167	\$ 962,062	\$ 934,449
Contributions in relation to the contractually required contribution	(2,047,038)	(1,949,288)	(1,945,246)	(1,600,347)	(1,334,835)	(1,318,775)	(1,131,170)	(1,011,167)	(962,062)	(934,449)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 48,509,403	\$ 48,791,199	\$ 47,677,891	\$ 43,376,545	\$ 40,253,531	\$ 40,813,025	\$ 37,194,486	\$ 35,208,757	\$ 32,539,461	\$ 31,640,997
Contributions as a percentage of covered payroll	4.22%	4.00%	4.08%	3.69%	3.32%	3.23%	3.04%	2.87%	2.96%	2.95%

JOSHUA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN MEASUREMENT YEARS *

Exhibit G-4

	Measurement Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the collective net OPEB liability	0.045%	0.047%	0.046%	0.043%	0.044%	0.043%	0.042%	0.038%	-	-
District's proportionate share of the collective net OPEB liability	\$ 13,707,693	\$ 10,462,829	\$ 11,018,155	\$ 16,569,707	\$ 16,784,517	\$ 20,149,855	\$ 20,767,241	\$ 16,440,343	\$ -	\$ -
State proportionate share of the collective net OPEB liability associated with the District	17,175,554	12,625,012	13,440,418	22,199,715	22,554,367	26,774,650	30,282,060	25,650,664	-	-
Total	<u>\$ 30,883,247</u>	<u>\$ 23,087,841</u>	<u>\$ 24,458,573</u>	<u>\$ 38,769,422</u>	<u>\$ 39,338,884</u>	<u>\$ 46,924,505</u>	<u>\$ 51,049,301</u>	<u>\$ 42,091,007</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 48,791,199	\$ 47,677,891	\$ 43,376,545	\$ 40,253,531	\$ 40,813,025	\$ 37,194,486	\$ 35,208,757	\$ 32,539,461	\$ -	\$ -
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	28.09%	21.94%	25.40%	41.16%	41.13%	54.17%	58.98%	50.52%	-	-
Plan fiduciary net position as a percentage of the total OPEB liability	13.70%	14.94%	11.52%	6.18%	4.99%	2.66%	1.57%	0.91%	-	-

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

JOSHUA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS *

Exhibit G-5

	Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily or contractually required District contribution	\$ 413,641	\$ 402,525	\$ 410,389	\$ 373,220	\$ 331,680	\$ 335,547	\$ 302,380	\$ 266,468	\$ -	\$ -
Contributions recognized by OPEB in relation to statutorily or contractually required contribution	(413,641)	(402,525)	(410,389)	(373,220)	(331,680)	(335,547)	(302,380)	(266,468)	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 48,509,403	\$ 48,791,199	\$ 47,677,891	\$ 43,376,545	\$ 40,253,531	\$ 40,813,025	\$ 37,194,486	\$ 35,208,757	\$ -	\$ -
Contributions as a percentage of covered payroll	0.85%	0.82%	0.86%	0.86%	0.82%	0.82%	0.81%	0.76%	-	-

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

JOSHUA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2025

Budget

The official budget was prepared for adoption for all Governmental Fund Types legally required (General Fund, Food Service Fund, and Debt Service Fund). The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data:

- a. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the Board.

Once a budget is approved, it can be amended at function and fund level only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings.

Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end as required by law.

Each amendment is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

Defined Benefit Pension Plan and Defined Benefit OPEB Plan

Changes of benefit terms

Any changes of benefit terms that affected the measurement of the net pension liability during the measurement period are described in the notes to the financial statements (Note I).

Any changes of benefit terms that affected the measurement of the net OPEB liability during the measurement period are described in the notes to the financial statements (Note J).

Changes of assumptions

Any changes of assumptions that affected the measurement of the net pension liability during the measurement period are described in the notes to the financial statements (Note I).

Any changes of assumptions that affected the measurement of the net OPEB liability during the measurement period are described in the notes to the financial statements (Note J).

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

JOSHUA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2025

Exhibit J-1

Year Ended August 31	1		2		3 Assessed/Appraised Value For School Tax Purposes	10 Beginning Balance 9/1/2024	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/2025	99 Total Taxes Refunded Under Sect. 26.1115(c)
	Tax Rates		Debt Service									
	Maintenance											
2016 and Prior Years	Various		Various		Various	\$ 293,732	\$ -	\$ 22,947	\$ 5,764	\$ (86,299)	\$ 178,722	
2017	1.1700		.4400		1,293,212,919	57,727	-	5,249	1,974	(564)	49,940	
2018	1.1700		.4300		1,359,620,812	60,224	-	6,876	2,527	(560)	50,261	
2019	1.1700		.3500		1,520,960,221	67,488	-	5,819	1,741	(532)	59,396	
2020	1.0683		.3717		1,676,089,543	64,907	-	4,502	1,567	(1,606)	57,232	
2021	1.0243		.3717		1,796,987,607	76,025	-	6,579	2,388	(4,585)	62,473	
2022	.9603		.3297		2,084,515,347	107,302	-	28,700	9,854	13,566	82,314	
2023	.9429		.3297		2,342,890,545	236,874	-	50,050	17,501	(20,617)	148,706	
2024	.7575		.3297		2,350,492,021	425,415	-	16,293	7,091	(206,602)	195,429	
2025 (School Year Under Audit)	.7575		.5000		2,510,942,367	-	31,575,100	18,607,052	12,281,878	(4)	686,166	
1000 Totals						<u>\$ 1,389,694</u>	<u>\$ 31,575,100</u>	<u>\$ 18,754,067</u>	<u>\$ 12,332,285</u>	<u>\$ (307,803)</u>	<u>\$ 1,570,639</u>	

8000 - Total Taxes Refunded under Section 26.1115, Tax Code

\$ 33,121

9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code

\$ -

Column 20, the current year's levy is the ending levy due provided by Johnson County Tax Offices.

Column 3, Assessed/Appraised Value for School Tax Purposes is calculated based on current year total levy divided by current year total tax rate. This amount includes adjustments for frozen values.

JOSHUA INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2025

Exhibit J-2

Data Control Codes		1	2	3
		Budget	Actual	Variance with Final Budget Positive (Negative)
	REVENUES:			
5700	Local and Intermediate Sources	\$ 1,390,000	\$ 1,509,231	\$ 119,231
5800	State Program Revenues	15,000	20,875	5,875
5900	Federal Program Revenues	2,450,000	2,358,652	(91,348)
5020	Total Revenues	<u>3,855,000</u>	<u>3,888,758</u>	<u>33,758</u>
	EXPENDITURES:			
	Current			
0035	Food Services	4,355,500	4,156,280	199,220
	Support Services:			
0051	Facilities Maintenance and Operations	99,500	39,252	60,248
	Total Support Services	<u>99,500</u>	<u>39,252</u>	<u>60,248</u>
6030	Total Expenditures	<u>4,455,000</u>	<u>4,195,532</u>	<u>259,468</u>
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	(600,000)	(306,774)	293,226
1200	Net Change in Fund Balance	<u>(600,000)</u>	<u>(306,774)</u>	<u>293,226</u>
0100	Fund Balance - Beginning	1,226,571	1,226,571	-
3000	Fund Balance - Ending	<u>\$ 626,571</u>	<u>\$ 919,797</u>	<u>\$ 293,226</u>

JOSHUA INDEPENDENT SCHOOL DISTRICT

Exhibit J-3

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes		1	2	3
		Budget	Actual	Variance with Final Budget Positive (Negative)
	REVENUES:			
5700	Local and Intermediate Sources	\$ 12,892,500	\$ 13,063,356	\$ 170,856
5800	State Program Revenues	1,355,500	1,386,167	30,667
5020	Total Revenues	14,248,000	14,449,523	201,523
	EXPENDITURES:			
	Debt Service:			
0071	Principal on Long-Term Debt	4,325,000	4,305,000	20,000
0072	Interest on Long-Term Debt	9,000,000	8,987,882	12,118
0073	Bond Issuance Costs and Fees	10,000	3,841	6,159
6030	Total Expenditures	13,335,000	13,296,723	38,277
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	913,000	1,152,800	239,800
	Other Financing Sources (Uses):			
7911	Issuance of Bonds	-	9,040	9,040
7080	Total Other Financing Sources and (Uses)	-	9,040	9,040
1200	Net Change in Fund Balance	913,000	1,161,840	248,840
0100	Fund Balance - Beginning	7,175,703	7,175,703	-
3000	Fund Balance - Ending	\$ 8,088,703	\$ 8,337,543	\$ 248,840

JOSHUA INDEPENDENT SCHOOL DISTRICT
USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2025

Exhibit J-4

<u>Data Control Codes</u>		<u>Responses</u>
<u>Section A: Compensatory Education Programs</u>		
AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$ 3,967,064
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28 29, 30)	\$ 2,893,089
<u>Section B: Bilingual Education Programs</u>		
AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$ 546,586
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PIC 25)	\$ 405,826



SNOW GARRETT WILLIAMS

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With Government Auditing Standards

Board of Trustees
Joshua Independent School District
310 E. 18th Street
Joshua, Texas 76058

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Joshua Independent School District, as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise Joshua Independent School District's basic financial statements, and have issued our report thereon dated December 12, 2025.

Report on Internal Control Over Financial Reporting

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

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

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

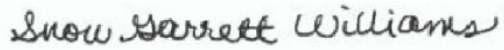
Report on Compliance and Other Matters

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

We noted certain matters that we reported to management of Joshua Independent School District in a separate letter dated December 12, 2025.

Purpose of this Report

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

A handwritten signature in dark ink that reads "Snow Garrett Williams". The signature is written in a cursive, flowing style.

Snow Garrett Williams
December 12, 2025



SNOW GARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance Required by the Uniform Guidance

Board of Trustees
Joshua Independent School District
310 E. 18th Street
Joshua, Texas 76058

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance we:

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

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

Report on Internal Control over Compliance

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

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

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

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

A handwritten signature in dark ink that reads "Snow Garrett Williams". The signature is written in a cursive, slightly slanted style.

Snow Garrett Williams
December 12, 2025

JOSHUA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2025

A. Summary of Auditor's Results

1 Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

2 Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, para. 200.516(a)?? Yes X No

Identification of major programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027/84.173	Special Education Cluster (IDEA)
84.010	ESEA Title I

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X Yes No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

JOSHUA INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2025

A corrective action plan is not needed.

JOSHUA INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2025

Exhibit K-1

(1) Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	(2) Federal ALN Number	(2A) Pass-Through Entity Identifying Number	(3) Federal Expenditures
CHILD NUTRITION CLUSTER:			
<u>U. S. Department of Agriculture</u>			
Passed Through State Department of Education:			
School Breakfast Program	10.553	71402501	\$ 416,182
National School Lunch Program	10.555	71302501	1,553,754
Total Passed Through State Department of Education			<u>1,969,936</u>
Passed Through Texas Department of Agriculture			
Commodity Supplemental Food Program (Non-Cash)	10.555	NT4XL1YGLGC5	247,103
Total Passed Through Texas Department of Agriculture			<u>247,103</u>
Total U. S. Department of Agriculture			<u>2,217,039</u>
Total Child Nutrition Cluster			<u>2,217,039</u>
MEDICAID CLUSTER:			
<u>U. S. Department of Health and Human Services</u>			
Passed Through Texas Health & Human Services Commission:			
Medicaid Administrative Claiming (MAC)	93.778	529-14-0042-00047	13,944
Total Passed Through Texas Health & Human Services Commission			<u>13,944</u>
Total U. S. Department of Health and Human Services			<u>13,944</u>
Total Medicaid Cluster			<u>13,944</u>
SPECIAL EDUCATION (IDEA) CLUSTER:			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
IDEA-Part B, Formula	84.027	256600011269056600	1,138,386
IDEA-Part B, Formula	84.027	266600011269056600	9,194
Total ALN 84.027			<u>1,147,580</u>
IDEA-Part B, Preschool	84.173	256610011269056610	9,895
IDEA-Part B, Preschool	84.173	266610011269056610	810
Total ALN 84.173			<u>10,705</u>
Total Passed Through State Department of Education			<u>1,158,285</u>
Total U. S. Department of Education			<u>1,158,285</u>
Total Special Education (IDEA) Cluster			<u>1,158,285</u>
OTHER PROGRAMS:			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
ESEA Title I, Part A - Improving Basic Programs	84.010A	25610101126905	896,107
ESEA Title I, Part A - Improving Basic Programs	84.010A	26610101126905	88,158
Total ALN 84.010A			<u>\$ 984,265</u>

JOSHUA INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2025

Exhibit K-1

(1) Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	(2) Federal ALN Number	(2A) Pass-Through Entity Identifying Number	(3) Federal Expenditures
Career and Technical Education - Basic Grant	84.048	25420006126905	\$ 69,693
Title III, Part A-English Language Acquisition and Language Enhancement	84.365A	25671001126905	76,878
Title III, Part A-English Language Acquisition and Language Enhancement	84.365A	26671001126905	9,234
Title III, Part A- Immigrant	84.365A	25671003126905	3,225
Total ALN 84.365A			<u>89,337</u>
ESEA Title II, Part A - Teacher & Principal Training & Recruiting	84.367A	236945157110002	250
ESEA Title II, Part A - Teacher & Principal Training & Recruiting	84.367A	246945677110016	77,191
ESEA Title II, Part A - Teacher & Principal Training & Recruiting	84.367A	246945827110005	47,344
ESEA Title II, Part A - Teacher & Principal Training & Recruiting	84.367A	25694501126905	202,905
ESEA Title II, Part A - Teacher & Principal Training & Recruiting	84.367A	256945677110009	10,408
ESEA Title II, Part A - Teacher & Principal Training & Recruiting	84.367A	26694501126905	16,382
Total ALN 84.367A			<u>354,480</u>
Summer School LEP	84.369	69552402	4,090
Title IV, Part A Subpart 1	84.424A	24680101126905	8,664
Title IV, Part A Subpart 1	84.424A	25680101126905	58,241
Total ALN 84.424			<u>66,905</u>
Elementary and Secondary School Emergency Relief Fund (ESSER III-COVID 19)	84.425W	21533002126905	8,324
Total Passed Through State Department of Education			<u>1,577,094</u>
Total U. S. Department of Education			<u>1,577,094</u>
<u>U. S. Department of Agriculture</u>			
Passed Through Texas Department of Agriculture:			
Local Food for Schools	10.185	NT4XL1YGLGC5	135,000
State Administrative Expenses	10.560	NT4XL1YGLGC5	6,612
Total Passed Through Texas Department of Agriculture			<u>141,612</u>
Total U. S. Department of Agriculture			<u>141,612</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 5,107,974</u>

JOSHUA INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2025

Basis of Presentation

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal grant activity of Joshua Independent School District. The information in the Schedule is presented in accordance with the 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"). Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Summary of Significant Accounting Policies

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

Joshua Independent School District has elected not to use the 10-percent *de minimis indirect cost rate* allowed under the Uniform Guidance.

Reconciliation

The following table reconciles expenditures per the Schedule of Expenditures of Federal Awards to the federal program revenues per the Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds:

Federal Program Revenues	\$ 5,631,448
Less:	
SHARS	(427,183)
ROTC	(96,291)
Total Expenditures of Federal Awards	\$ <u>5,107,974</u>

JOSHUA INDEPENDENT SCHOOL DISTRICT**Exhibit K-2****SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
FOR THE YEAR ENDED AUGUST 31, 2025**

<u>Data Control Codes</u>		<u>Responses</u>
SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end?	No
SF3	Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If the school district was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warrant hold was issued, the school district is considered to not have made timely payments.) Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 days from the date the warrant hold was issued. Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was issued.	Yes
SF4	Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold.	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year-end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end	\$ 6,029,777

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

Proposed Form of Opinion of Bond Counsel

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

**JOSHUA INDEPENDENT SCHOOL DISTRICT
UNLIMITED TAX REFUNDING BONDS, SERIES 2026**

IN THE AGGREGATE PRINCIPAL AMOUNT OF \$11,165,000

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

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

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

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



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

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

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

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

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



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

Respectfully,

APPENDIX D

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

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

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

The regular session of the 89th Texas Legislature (the “Legislature”) convened on January 14, 2025, and concluded on June 2, 2025. The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor may call one or more 1 special sessions, at the Governor’s discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Governor called a first special session, which began on July 21, 2025, and ended on August 15, 2025. The Governor called a second special session, which began on August 15, 2025, and ended on September 4, 2025 (the regular session together with the special sessions may hereinafter be referred to as the “89th Legislative Session”). The TEA, the State Board of Education (the “SBOE”), and the Texas Permanent School Fund Corporation (the “PSF Corporation”) are in the process of monitoring the implementation of legislation signed by the Governor and make no representation regarding any actions taken by the Legislature in the 89th Legislative Session that may materially impact themselves, the Guarantee Program, the Act, and Texas school finance in general.

HISTORY AND PURPOSE

The PSF supports the State’s public school system in two major ways: distributions to the constitutionally established Available School Fund (the “ASF”), as described below, and the guarantee of school district and charter district issued bonds through the Guarantee Program. The PSF was created in 1845 and received its first significant funding with a \$2,000,000 appropriation by the Legislature in 1854 expressly for the benefit of the public schools of Texas, with the sole purpose of assisting in the funding of public education for present and future generations. The Constitution of 1876 described that the PSF would be “permanent,” and stipulated that certain lands and all proceeds from the sale of these lands should also constitute the PSF. Additional acts later gave more public domain land and rights to the PSF. In 1953, the U.S. Congress passed the Submerged Lands Act that relinquished to coastal states all rights of the U.S. navigable waters within state boundaries. If the State, by law, had set a larger boundary prior to or at the time of admission to the Union, or if the boundary had been approved by Congress, then the larger boundary applied. After three years of litigation (1957-1960), the U.S. Supreme Court on May 31, 1960, affirmed Texas’ historic three marine leagues (10.35 miles) seaward boundary. Texas proved its submerged lands property rights to three leagues into the Gulf of Mexico by citing historic laws and treaties dating back to 1836. All lands lying within that limit belong to the PSF. The proceeds from the sale and the mineral-related rental of these lands, including bonuses, delay rentals and royalty payments, become the corpus of the Fund. Prior to the approval by the voters of the State of an amendment to the constitutional provision under which the Fund was established and administered, which occurred on September 13, 2003 (the “Total Return Constitutional Amendment”), and which is further described below, only the income produced by the PSF could be used to complement taxes in financing public education, which primarily consisted of income from securities, capital gains from securities transactions, and royalties from the sale of oil and natural gas. The Total Return Constitutional Amendment provides that interest and dividends produced by Fund investments will be additional revenue to the PSF.

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

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

State law also permits charter schools to be chartered and operated by school districts and other political

subdivisions, but bond financing of facilities for school district-operated charter schools is subject to the School District Bond Guarantee Program, not the Charter District Bond Guarantee Program.

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

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

MANAGEMENT AND ADMINISTRATION OF THE FUND

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

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

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

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

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

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

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

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

THE TOTAL RETURN CONSTITUTIONAL AMENDMENT

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

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

expenses of the Fund, projected returns in the capital markets and a projected inflation rate.

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

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

ANNUAL DISTRIBUTIONS TO THE AVAILABLE SCHOOL FUND¹

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

¹ In millions of dollars. Source: Annual Report for year ended August 31, 2025.

² Reflects the first fiscal year in which distributions were made by the PSF Corporation.

³ In September 2020, the SBOE approved a special, one-time transfer of \$300 million from the portion of the PSF managed by the SBOE to the portion of the PSF managed by the SLB, which amount is to be transferred to the ASF by the SLB in fiscal year 2021. In approving the special transfer, the SBOE determined that the transfer was in the best interest of the PSF due to the historic nature of the public health and economic circumstances resulting from the COVID-19 pandemic and its impact on the school children of Texas.

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

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

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

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

PSF CORPORATION STRATEGIC ASSET ALLOCATION

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

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

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

Asset Class	Target Allocation	Range¹
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%

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

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

COMPARATIVE INVESTMENT SCHEDULE – PSF(CORP)

Fair Value (in millions) August 31, 2025 and 2024				
ASSET CLASS	August 31, 2025	August 31, 2024	Amount of Increase (Decrease)	Percent Change
EQUITY				
Domestic Small Cap	\$ 3,732.4	\$ 3,651.3	\$ 81.1	2.2%
Domestic Large Cap	<u>7,860.0</u>	<u>8,084.6</u>	<u>(224.6)</u>	<u>-2.7%</u>
Total Domestic Equity	11,592.4	11,735.9	(143.5)	-1.2%
International Equity	<u>5,093.7</u>	<u>4,131.1</u>	<u>962.6</u>	<u>23.3%</u>
TOTAL EQUITY	16,686.1	15,867.0	819.1	5.2%
FIXED INCOME				
Domestic Fixed Income	-	-	-	-
U.S. Treasuries	-	-	-	-
Core Bonds	5,464.4	8,151.6	(2,687.2)	-33.0%
Bank Loans	3,908.4	2,564.1	1,344.3	52.4%
High Yield Bonds	1,569.2	2,699.5	(1,130.3)	-41.9%
Emerging Market Debt	=	=	=	=
TOTAL FIXED INCOME	10,942.0	13,415.2	(2,473.2)	-18.4%
ALTERNATIVE INVESTMENTS				
Absolute Return	3,247.4	3,106.0	141.4	4.6%
Real Estate	6,300.8	6,101.0	199.8	3.3%
Private Equity	12,170.5	8,958.8	3,211.7	35.9%
Emerging Manager Program	-	-	-	-
Real Return	-	-	-	-
Private Credit	3,884.3	2,257.9	1,626.4	72.0%
Real Assets	<u>5,525.2</u>	<u>4,648.1</u>	<u>877.1</u>	<u>18.9%</u>
TOT ALT INVESTMENTS	31,128.2	25,071.8	6,056.4	24.2%
UNALLOCATED CASH	<u>1,335.0</u>	<u>2,583.2</u>	<u>(1,248.2)</u>	<u>-48.3%</u>
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)}	<u>4,872.77⁽⁶⁾</u>
Total Investments ⁽⁴⁾	\$6,294.99
Cash in State Treasury ⁽⁵⁾	575.70
Total Investments & Cash in State	
Treasury	\$ 6,870.70

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

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

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

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

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

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

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

THE SCHOOL DISTRICT BOND GUARANTEE PROGRAM

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

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

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

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

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

THE CHARTER DISTRICT BOND GUARANTEE PROGRAM

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

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

Pursuant to the CDBGP Rules, the Education Commissioner annually determines the ratio of charter district students to total public school students, for the 2026 fiscal year, the ratio is 8.17%. At February 23, 2026, there were 182 active open-enrollment charter schools in the State and there were 1,027 charter school campuses authorized under such charters, though as of such date, 264 of such campuses are not currently serving students for various reasons; therefore, there are 958 charter school campuses actively serving students in Texas. Section 12.101, Texas Education Code, limits the number of charters that the Education Commissioner may grant to a total number of 305 charters. While legislation limits the number of charters that may be granted, it does not limit the number of campuses that may operate under a particular charter. For information regarding the capacity of the Guarantee Program, see "Capacity Limits for the Guarantee Program." The Act provides that the Education Commissioner may not approve the guarantee of refunding or refinanced bonds under the Charter District Bond Guarantee Program in a total amount that exceeds one-half of the total amount available for the guarantee of charter district bonds under the Charter District Bond Guarantee Program.

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

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

In the event of default, holders of guaranteed charter district bonds will receive all payments as and when they become due from

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

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

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

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

CAPACITY LIMITS FOR THE GUARANTEE PROGRAM

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

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

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

Changes in SBOE-determined multiplier for State Capacity Limit

<u>Date</u>	<u>Multiplier</u>
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 CDBG 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 CDBG 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 CDBG 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 CDBG 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 CDBG 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 CDBG 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 CDBG Rules also require the Education Commissioner to make an investigation of the accreditation status and financial status for a charter district applying for a bond guarantee.

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

CHARTER DISTRICT RISK FACTORS

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

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

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

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

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

RATINGS OF BONDS GUARANTEED UNDER THE GUARANTEE PROGRAM

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

VALUATION OF THE PSF AND GUARANTEED BONDS

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

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

⁽²⁾ At August 31, 2025, mineral assets, sovereign lands, other lands, and discretionary internal investments, had book values of approximately \$13.4 million, \$0.8 million, \$37.3 million, and \$830.7 million, respectively, and market values of approximately \$4,872.7million, \$279.8 million, \$153.1 million, and \$989.2 million, respectively

Permanent School Fund Guaranteed Bonds	
At 8/31	Principal Amount ⁽¹⁾
2021	95,259,161,922
2022	103,239,495,929
2023	115,730,826,682
2024	125,815,981,603
2025	143,940,955,098 ⁽²⁾

⁽¹⁾ Represents original principal amount; does not reflect any subsequent accretions in value for compound interest bonds (zero coupon securities). The amount shown excludes bonds that have been refunded and released from the Guarantee Program. The TEA does not maintain records of the accreted value of capital appreciation bonds that are guaranteed under the Guarantee Program.

⁽²⁾ At August 31, 2025 (the most recent date for which such data is available), the TEA expected that the principal and interest to be paid by school districts and charter districts over the remaining life of the bonds guaranteed by the Guarantee Program was \$230,761,751,555, of which \$86,820,796,457 represents interest to be paid. As shown in the table above, at August 31, 2025, there were \$143,940,955,098 in principal amount of bonds guaranteed under the Guarantee Program. Using the State Capacity Limit of \$181,696,286,251 (the State Capacity Limit is currently the Capacity Limit), net of the Capacity Reserve, as of December 31, 2025, 7.86% of the Guarantee Program's capacity was available to the Charter District Bond Guarantee Program. As of December 31, 2025, the amount of outstanding bond guarantees represented 79.16% of the Capacity Limit (which is currently the State Capacity Limit). December 31, 2025 values are based on unaudited data, which is subject to adjustment.

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Permanent School Fund Guaranteed Bonds by Category⁽¹⁾

Permanent School Fund and Guaranteed Bonds by Category						
	<u>School District Bonds</u>		<u>Charter District Bonds</u>		<u>Totals</u>	
Fiscal Year Ended	No. of	Principal	No. of	Principal	No. of	Principal
<u>8/31</u>	<u>Issues</u>	<u>Amount (\$)</u>	<u>Issues</u>	<u>Amount (\$)</u>	<u>Issues</u>	<u>Amount (\$)</u>
2021	3,346	91,951,175,922	83	3,307,986,000	3,429	95,259,161,922
2022	3,348	99,528,099,929	94	3,711,396,000	3,442	103,239,495,929
2023	3,339	111,647,914,682	102	4,082,912,000	3,441	115,730,826,682
2024	3,330	121,046,871,603	103	4,769,110,000	3433	125,815,981,603
2025 ⁽²⁾	3,444	138,140,381,098	113	5,800,574,000	3,557	143,940,955,098

⁽¹⁾ Represents original principal amount; does not reflect any subsequent accretions in value for compound interest bonds (zero coupon securities). The amount shown excludes bonds that have been refunded and released from the Guarantee Program.

⁽²⁾ At December 31, 2025 (based on unaudited data, which is subject to adjustment), there were \$143,822,038,077 principal amount of bonds guaranteed under the Guarantee Program, representing 3,456 school district issues, aggregating \$137,938,824,077 in principal amount and 114 charter district issues, aggregating \$5,883,214,000 in principal amount. At December 31, 2025 the projected guarantee capacity available was \$32,174,623,697 (based on unaudited data, which is subject to adjustment).

DISCUSSION AND ANALYSIS PERTAINING TO FISCAL YEAR ENDED AUGUST 31, 2025

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

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

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

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PSF Returns Fiscal Year Ended 8-31-2025¹

<u>Portfolio</u>	<u>Return</u>	<u>Benchmark Return²</u>
Total PSF(CORP) Portfolio	8.20	7.78
Domestic Large Cap Equities	14.50	15.88
Domestic Small/Mid Cap Equities	7.64	5.80
International Equities	16.16	14.89
Private Credit	6.87	9.26
Core Bonds	4.02	3.14
Absolute Return	14.98	6.90
Real Estate	0.14	0.97
Private Equity	8.17	8.61
High Yield	8.18	8.26
Natural Resources	2.31	0.39
Infrastructure	15.06	8.79
Bank Loans	7.76	7.36
Short Term Investment Portfolio	6.06	4.51

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

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

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

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

OTHER EVENTS AND DISCLOSURES

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

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

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

PSF CONTINUING DISCLOSURE UNDERTAKING

As of March 1, 2023, the TEA's undertaking pursuant to Rule 15c2-12 (the "TEA Undertaking") pertaining to the PSF and the Guarantee Program, is codified at 19 TAC 33.8, which relates to the Guarantee Program and is available at <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 and different bases of accounting.

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

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

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

EVENT NOTICES

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

AVAILABILITY OF INFORMATION

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

LIMITATIONS AND AMENDMENTS

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

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

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

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

COMPLIANCE WITH PRIOR UNDERTAKINGS

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

SEC EXEMPTIVE RELIEF

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

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