OFFICIAL STATEMENT DATED AUGUST 12, 2026

NEW ISSUE – Book-Entry-Only

Ratings (PSF): Fitch: "AAA"
Moody's: "Aaa"
See "OTHER INFORMATION – Ratings" and "APPENDIX E – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM."

In the opinion of Bond Counsel, under existing law, interest on the Bonds will be excludable from gross income for federal income tax purposes and the Bonds are not private activity bonds. See "TAX MATTERS FOR THE BONDS" for a discussion of the opinion of Bond Counsel, including a description of alternative minimum tax consequences for corporations.

$87,535,000
PORT ARTHUR INDEPENDENT SCHOOL DISTRICT
(Jefferson County, Texas)
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2026A

Interest Accrual Date: Date of Delivery (as defined below) **Due: February 15, as shown on page ii**

The Port Arthur Independent School District (the "District") is issuing its $87,535,000 Unlimited Tax School Building Bonds, Series 2026A (the "Bonds"). The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, including particularly Chapter 45, Texas Education Code, as amended, Chapter 1371, Texas Government Code, as amended, an election held in the District on May 3, 2025, and an order authorizing the Bonds approved by the Board of Trustees of the District (the "Board") on June 25, 2026 (the "Bond Order"). In the Bond Order, the Board delegated pricing of the Bonds and certain other matters to a pricing officer who approved and executed a pricing certificate for the Bonds on August 12, 2026 that contains the final pricing information for the Bonds (the pricing certificate together with the Bond Order are referred to herein as the "Order") (see "THE BONDS – Authority").

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 (see "THE BONDS – Authority" and "THE BONDS – Security and Source of Payment"). **The District received conditional approval for the payment of the Bonds to be guaranteed by the Permanent School Fund of the State of Texas. See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "APPENDIX E – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM."**

Proceeds from the sale of the Bonds will be used (i) for the purpose of constructing, renovating, improving and equipping school buildings and school facilities in the District, any necessary or related removal of existing facilities, the purchase of any necessary sites for school facilities, and the purchase of new school buses and (ii) to pay costs of issuance of the Bonds (see PLAN OF FINANCE – Purposes of the Bonds).

Interest on the Bonds will accrue from the Date of Delivery (defined below) to the initial purchasers thereof (the "Underwriters") and will be payable semiannually on February 15 and August 15 of each year commencing February 15, 2027 until maturity or prior redemption and will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds will be issued as fully registered obligations in denominations of $5,000 in principal amount of the Bonds or integral multiples thereof within a maturity.

The Bonds maturing on and after February 15, 2037 are subject to redemption at the option of the District, in whole or in part, on February 15, 2036, or on any date thereafter, at a price of par plus accrued interest on the amount called for redemption to the date fixed for redemption (see "THE BONDS – Redemption Provisions – Optional Redemption"). The Term Bonds (as defined herein) are additionally subject to mandatory sinking fund redemption as described herein (see "THE BONDS – Redemption Provisions – Mandatory Sinking Fund Redemption").

The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 principal amount for the Bonds, or any integral multiple thereof. **No physical delivery of the Bonds will be made to the owners thereof.** The principal amounts of, the premium, if any and interest on the Bonds will be payable by the Paying Agent/Registrar, which initially is The Bank of New York Mellon Trust Company, N.A. (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 "TRANSFER, EXCHANGE AND REGISTRATION – Paying Agent/Registrar").

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 Creighton, Fox, Johnson & Mills, PLLC, Beaumont, Texas, Bond Counsel. Certain matters will be passed upon for the District by Bracewell LLP, Houston, Texas, as Disclosure Counsel. Certain matters will be passed upon for the Underwriters by Holland & Knight LLP, Houston, Texas, and The Bates Law Firm PLLC, Houston, Texas, as Co-Counsel to the Underwriters. It is expected that the Bonds will be available for delivery through DTC on or about September 3, 2026 ("Date of Delivery").

BOK Financial Securities, Inc.

SAMCO Capital **TRB Securities, LLC** **Stephens, Inc.**

MATURITY SCHEDULE

$87,535,000
PORT ARTHUR INDEPENDENT SCHOOL DISTRICT
(Jefferson County, Texas)
UNLIMITED TAX SCHOOL BUILDING BONDS,
SERIES 2026A

$23,190,000 Serial Bonds

Maturity (February 15)[1]	Principal Amount	Interest Rate	Initial Yield[2]	CUSIP[3]
2033	$300,000	5.000%	3.200%	733505XC0
2034	880,000	5.000	3.290	733505XD8
2035	2,505,000	5.000	3.330	733505XE6
2036	2,265,000	5.000	3.440	733505XF3
2037	1,845,000	5.000	3.600[4]	733505XG1
2038	2,110,000	5.000	3.700[4]	733505XH9
2039	2,215,000	5.000	3.810[4]	733505XJ5
2040	1,035,000	5.000	3.960[4]	733505XK2
2041	1,090,000	5.000	4.060[4]	733505XL0
2042	1,145,000	5.000	4.080[4]	733505XM8
2043	1,205,000	5.000	4.160[4]	733505XN6
2044	1,265,000	5.000	4.240[4]	733505XP1
2045	1,330,000	5.000	4.310[4]	733505XQ9
2046	4,000,000	5.000	4.380[4]	733505XR7

$64,345,000 Term Bonds

$28,170,000 Term Bond due February 15, 2051[1][5] Interest Rate 5.000% Yield 4.620%[2][4] CUSIP Number[3] 733505XW6

$36,175,000 Term Bond due February 15, 2056[1][5] Interest Rate 5.000% Yield 4.740%[2][4] CUSIP Number[3] 733505YB1

(Interest Accrues from Date of Delivery)

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(1) The Bonds maturing on and after February 15, 2037 are subject to optional redemption prior to stated maturity in whole or in part on February 15, 2036, or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest on the amount called for redemption to the date fixed for redemption (see "THE BONDS—Redemption Provisions – Optional Redemption").

(2) The initial yields are established by, and are the sole responsibility of the Underwriters and may subsequently be changed at the discretion of the Underwriters.

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

(4) Initial yields are calculated to the first optional call date of February 15, 2036.

(5) The Term Bonds (as defined herein) are subject to mandatory sinking fund redemption as further described herein (see "THE BONDS – Redemption Provisions – Mandatory Sinking Fund Redemption").

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

Certain information set forth herein has been obtained from the District and other sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and it is not to be construed as a representation by the Municipal Advisor or the Underwriters. This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. See "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM – PSF CONTINUING DISCLOSURE UNDERTAKING" and "CONTINUING DISCLOSURE OF INFORMATION" for a description of the undertakings of the Texas Education Agency ("TEA") and the District, respectively, to provide certain information on a continuing basis.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTION IN WHICH THE BONDS HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF. IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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

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 the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

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

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT 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 "OTHER INFORMATION – Forward-Looking Statements" herein).

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY UNITED STATES STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE BONDS OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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

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APPENDIX C– EXCERPTS FROM THE ANNUAL FINANCIAL REPORT
APPENDIX D– FORM OF BOND COUNSEL'S OPINION
APPENDIX E– THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

The cover, maturity schedule, this page 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 Port Arthur Independent School District (the "District") is a political subdivision located in Jefferson 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 District is approximately 82 square miles in area (see "INTRODUCTION – Description of the District").
The Bonds	The District is issuing its $87,535,000 Unlimited Tax School Building Bonds, Series 2026A (the "Bonds") (see THE BONDS – General Description").
Authority for Issuance	The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, including particularly Chapter 45, Texas Education Code, as amended, Chapter 1371, Texas Government Code, as amended, an election held in the District on May 3, 2025, and an order authorizing the Bonds approved by the Board of Trustees of the District (the "Board") on June 25, 2026 (the "Bond Order"). In the Bond Order, the Board delegated pricing of the Bonds and certain other matters to a pricing officer who approved and executed a pricing certificate for the Bonds on August 12, 2026 that contains the final pricing information for the Bonds (the pricing certificate together with the Bond Order are referred to herein as the "Order") (see "THE BONDS – Authority"). After the issuance of the Bonds, the District will have $60,000,000 of authorized but unissued bonds (see "THE BONDS – Authority").
Security for the Bonds	The Bonds are direct obligations of the District, payable from a continuing, direct annual ad valorem tax levied by the District, without legal limitation as to rate or amount, on all taxable property within the District (see "THE BONDS – Security and Source of Payment"). **The District received conditional approval for the payment of the Bonds to be guaranteed by the Permanent School Fund of the State of Texas. See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "APPENDIX E – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM."**
Redemption	*Optional Redemption.* The Bonds maturing on and after February 15, 2037, are subject to optional redemption prior to maturity, in whole or in part, on February 15, 2036, or any date thereafter, at a redemption price of par plus accrued interest to the date of redemption as further described herein (see "THE BONDS – Redemption Provisions – Optional Redemption"). *Mandatory Sinking Fund Redemption.* The Term Bonds (as defined herein) are additionally subject to mandatory sinking fund redemption in accordance with the provisions of the Order and as described herein (see "THE BONDS – Redemption Provisions – Mandatory Sinking Fund Redemption").
Use of Proceeds	Proceeds from the sale of the Bonds will be used (i) for the purpose of constructing, renovating, improving and equipping school buildings and school facilities in the District, any necessary or related removal of existing facilities, the purchase of any necessary sites for school facilities, and the purchase of new school buses and (ii) to pay costs of issuance of the Bonds (see PLAN OF FINANCE – Purposes of the Bonds).
Permanent School Fund Guarantee Program	The District received conditional approval from the Texas Education Agency for the Bonds to be guaranteed by the corpus of the Permanent School Fund of the State of Texas. See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "APPENDIX E – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM."

Ratings ..... The Bonds are rated "AAA" by Fitch Ratings ("Fitch") and "Aaa" by Moody's Investor Service, Inc. ("Moody's") by virtue of the guarantee of the Permanent School Fund of the State of Texas. See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM." The District's underlying rating for the Bonds (without consideration of the Permanent School Fund Guarantee or other credit enhancement) is "A" by Fitch and "A2" by Moody's (see "OTHER INFORMATION - Ratings").

The ratings reflect only the respective views of such organizations 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 either or both of such rating companies, if in the judgment of either or both companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, by either of them, may have an adverse effect on the market price of the Bonds (see "OTHER INFORMATION - Ratings").

Tax Status ..... In the opinion of Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and the Bonds are not private activity bonds. See "TAX MATTERS FOR THE BONDS" for a discussion of the opinion of Bond Counsel, including a description of alternative minimum tax consequences for corporations.

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 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "BOOK-ENTRY-ONLY SYSTEM").

Continuing Disclosure..... Pursuant to the Order, the District is obligated to provide certain updated financial information and operating data annually, and to provide timely notice of certain specified events which will be available to investors as described in the section captioned "CONTINUING DISCLOSURE OF INFORMATION."

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

Date of Delivery..... When issued, anticipated to occur on or about September 3, 2026.

SELECTED FINANCIAL INFORMATION

Valuation and Funded Debt History

Fiscal Year Ended 8/31	I&S Taxable Assessed Valuation[1]	Change From Prior Year		Tax Supported Debt Outstanding at FYE	Ratio of Tax Supported Debt To TAV
		$ Amount	Percent		
2022	$5,260,953,444	$(98,681,765)	-1.84%	$339,655,000	6.46%
2023	5,722,287,423	461,333,979	8.77%	327,025,000	5.71%
2024	6,517,179,598	794,892,175	13.89%	307,155,000	4.71%
2025	7,107,787,149	590,607,551	9.06%	284,945,000	4.01%
2026	6,872,985,223[2]	(234,801,926)	-3.30%	494,495,000	7.19%
2027	7,328,148,168[2]	455,162,945	6.62%	480,480,000[3]	6.56%

[1] Source: The District and Jefferson Central Appraisal District (the "Appraisal District"). The District is affected by an economic incentive exemption under Tax Code 313.027. The Taxable Assessed Valuation figures presented here and elsewhere in this Official Statement, reflect the District's taxable value for I&S tax purposes. The District's M&O taxable value is lower because of the economic incentives.

[2] Values shown reflect the application of a State-mandated general homestead exemption of $140,000 and State-mandated homestead exemption of persons sixty-five (65) years of age or older and the disabled of $60,000.

[3] Projected.

General Fund Consolidated Statement Summary

	Fiscal Year Ended August 31,				
	2025	2024	2023	2022	2021
Fund Balance at Beginning of Year	$69,808,944	$75,479,628	$56,430,975	$36,551,688	$38,285,693
Revenues	106,852,051	91,960,997	107,366,163	107,408,115	89,023,805
Operating Expenses	99,879,899	97,431,394	88,662,292	86,837,445	87,030,099
Excess (Deficit) Revenues Over Expenditures	6,972,152	(5,470,397)	18,703,871	20,570,670	1,993,706
Other Resources	18,090	0	$344,782	0	395,927
Other (Uses)	0	(200,287)	0	(691,383)	(4,123,638)
Fund Balance at End of Year	$76,799,186	$69,808,944	$75,479,628	$56,430,975	$36,551,688

DISTRICT OFFICIALS, STAFF AND CONSULTANTS

Elected Officials

Board of Trustees	Years of Service	Term Expires (May)	Occupation
Jacori Narcisse, President	4	2028	Vocational Rehabilitation Counselor
Dianne Brown, Vice President	12	2029	Retired District Employee
Nathaniel Collins, Jr., Secretary	<1	2029	Health Inspector
Debra Ambroise, Trustee	<1	2027	Retired Transit Planner
Brandon Bartie, Trustee	11	2027	Funeral Services, Minister
Kenneth W. Lofton, Sr., Trustee	19	2029	Process Operator
Kimberly Wycoff-Johnson, Trustee	4	2028	Process Operator

Selected Administrative Staff

Name	Title	Years of Service at the District
Dr. Mark Porterie	Superintendent of Schools	34
Denise Davis	Chief Financial Officer	16
Dr. Tatiana Morales Owens	Assistant Superintendent for Curriculum and Instruction	28
Kaala Jacobs	Assistant Superintendent of Operations	1
Dr. Erika Seastrunk	Executive Director of Human Resources	12

Consultants and Advisors

Bond Counsel ..... Creighton, Fox, Johnson & Mills, PLLC
Beaumont, Texas

Disclosure Counsel ..... Bracewell LLP
Houston, Texas

General Counsel ..... Carrier Law Group
Beaumont, Texas

Auditors ..... Whitley Penn LLP
Houston, Texas

Municipal Advisor ..... RBC Capital Markets, LLC
Dallas & Houston, Texas

For additional information regarding the District, please contact:

Denise Davis
Chief Financial Officer
Port Arthur Independent School District
4801 9th Avenue
Port Arthur, Texas 77642
(409) 989-6217 Phone
(409) 989-6188 Fax

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

OFFICIAL STATEMENT
RELATING TO

$87,535,000
PORT ARTHUR INDEPENDENT SCHOOL DISTRICT
(Jefferson County, Texas)
UNLIMITED TAX SCHOOL BUILDING BONDS,
SERIES 2026A

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance by the Port Arthur Independent School District (the "District") of its $87,535,000 Unlimited Tax School Building Bonds, Series 2026A (the "Bonds"). The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Chapter 45, Texas Education Code, as amended, Chapter 1371, Texas Government Code, as amended, an election held in the District on May 3, 2025, and an order authorizing the Bonds approved by the Board of Trustees of the District (the "Board") on June 25, 2026 (the "Bond Order"). In the Bond Order, the Board delegated pricing of the Bonds and certain other matters to a pricing officer who approved and executed a pricing certificate for the Bonds on August 12, 2026 that contains the final pricing information for the Bonds (the pricing certificate together with the Bond Order are referred to herein as the "Order"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in each of the Order, except as otherwise indicated herein.

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

There follows in this Official Statement descriptions of the Bonds, the Order and certain other information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained upon request by electronic mail or upon payment of reasonable copying, mailing, and handling charges by writing the District's Municipal Advisor.

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 OF 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 Jefferson 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 District is approximately 82 square miles in area. See APPENDIX B for general information regarding the District.

PLAN OF FINANCE

Purpose of the Bonds

Proceeds from the sale of the Bonds will be used (i) for the purpose of constructing, renovating, improving and equipping school buildings and school facilities in the District, any necessary or related removal of existing facilities, the purchase of any necessary sites for school facilities, and the purchase of new school buses and (ii) to pay costs of issuance of the Bonds.

[Remainder of page intentionally left blank]

Sources and Uses of Funds

The proceeds from the sale of the Bonds will be applied approximately as set forth below.

Sources:	
Principal Amount	$87,535,000.00
Original Issue Premium	3,527,564.85
Total Sources of Funds	**$91,062,564.85**
Uses:	
Deposit to Construction Fund	$90,000,000.00
Costs of Issuance[(1)]	1,062,564.85
Total Uses of Funds	**$91,062,564.85**

(1) Includes the Underwriters' discount, fees of Bond Counsel, Disclosure Counsel, the Municipal Advisor, the Paying Agent/Registrar, the rating agencies, and other costs related to the issuance of the Bonds.

THE BONDS

General Description

The Bonds shall be dated as set forth in the Order. Interest accruing on the Bonds will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds are to mature on the dates and in the principal amounts shown on page ii hereof. The Bonds will each be issued as fully registered obligations in principal denominations of $5,000 or any integral multiple thereof within a maturity. Interest on the Bonds will accrue from the Date of Delivery (defined on the cover page hereof) to the initial purchasers thereof (the "Underwriters") at the interest rates shown on page ii and such interest shall be payable to the registered owners thereof semiannually on February 15 and August 15 of each year commencing February 15, 2027 until maturity or prior redemption.

The paying agent/registrar (the "Paying Agent/Registrar") for the Bonds is initially The Bank of New York Mellon Trust Company, N.A.

Initially, the Bonds will be 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 below. No physical delivery of the Bonds will be made to the beneficial owners. Principal and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will distribute the amounts paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" below for a more complete description of such system.

Interest on the Bonds shall be payable to the registered owner whose name appears on the bond registration books of the Paying Agent/Registrar at the close of business on the "Record Date" (hereinafter defined) and such accrued interest will be paid by (i) check sent United States mail, first class, postage prepaid, to the address of the registered owner appearing on such registration books of the Paying Agent/Registrar or (ii) such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. The record date (the "Record Date") for the interest payable on the Bonds means the close of business on the last business day of the month next preceding such interest payment date (see "TRANSFER, EXCHANGE, AND REGISTRATION – Record Date for Interest Payment" herein). The principal of the Bonds will be payable only upon presentation of such Bonds at the designated office of the Paying Agent/Registrar upon maturity or prior redemption; 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 "BOOK-ENTRY-ONLY SYSTEM" herein.

Authority

The Bonds are issued pursuant to the Constitution and general laws of the State, including particularly Chapter 45, Texas Education Code, as amended, Chapter 1371, Texas Government Code, as amended, an election held in the District on May 3, 2025 in which the voters authorized the issuance of a total of $300,000,000 of unlimited tax bonds to be issued, and the Order. After the issuance of the Bonds, the District will have $60,000,000 of authorized but unissued bonds.

Security and Source of Payment

The Bonds are direct obligations of the District, payable from a continuing, direct annual ad valorem tax levied by the District, without legal limitation as to rate or amount, on all taxable property within the District, as provided in the Order. The District received conditional approval from the TEA for the payment of scheduled principal of and interest on the Bonds, when due, to be guaranteed by the Guarantee Program (defined herein) for school district bonds. See "THE PERMANENT SCHOOL FUND GUARANTEE

PROGRAM," "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM," "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS," and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" herein.

Redemption Provisions

Optional Redemption. The Bonds maturing on and after February 15, 2037, are subject to optional redemption prior to stated maturity, in whole or in part, on February 15, 2036, or any date thereafter, at a redemption price of par plus accrued interest to the date of redemption as further described herein.

Mandatory Sinking Fund Redemption. The Bonds having a stated maturity on February 15, 2051 and February 15, 2056 (the "Term Bonds") are subject to scheduled mandatory sinking fund redemption and will be redeemed prior to stated maturity on February 15 in each of the years and respective principal amounts set forth below at a redemption price equal to 100% of the principal amount, without premium, plus accrued interest to the date of redemption:

$28,170,000 Term Bond Maturing February 15, 2051		**$36,175,000Term Bond Maturing February 15, 2056**	
Mandatory Redemption Date (2/15)	**Principal Amount**	**Mandatory Redemption Date (2/15)**	**Principal Amount**
2047	$4,205,000	2052	$5,890,000
2048	$4,420,000	2053	$6,190,000
2049	$4,645,000	2054	$6,510,000
2050	$7,260,000	2055	$6,840,000
2051 (maturity)	$7,640,000	2056 (maturity)	$10,745,000

The Paying Agent/Registrar shall select for redemption by lot, or by any other customary method that results in a random selection, a principal amount of Term Bonds equal to the aggregate principal amount of such Term Bonds to be redeemed, shall call such Term Bonds for redemption on such scheduled mandatory redemption date, and shall give notice of such redemption.

The principal amount of the Term Bonds required to be redeemed on any redemption date shall be reduced, at the option of the District, by the principal amount of any Term Bonds which, at least 45 days prior to the mandatory sinking fund redemption date (i) shall have been acquired by the District at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, or (ii) shall have been redeemed pursuant to the optional redemption provisions hereof and not previously credited to a mandatory sinking fund redemption.

If less than all of the Bonds are to be redeemed, the District shall determine the maturities (or mandatory sinking fund payment with respect to Term Bonds) and the principal amount thereof to be redeemed and shall direct the Paying Agent/Registrar to call by lot or any other customary random selection method such Bonds for redemption, and call such Bonds for redemption.

Notice of Redemption

Not less than 30 days prior to a redemption date for the Bonds, the District shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. When notice of redemption has been given and due provision has been made to redeem Bonds, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding, except for the purpose of receiving payment solely from the funds provided for redemption, and interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

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

Permanent School Fund Guarantee

In connection with the sale of the Bonds, the District received conditional approval from the State Commissioner of Education (the "Commissioner") for guarantee of the Bonds under the Permanent School Fund Guarantee Program (Chapter 45, Subchapter C of the Texas Education Code, as amended). Subject to satisfying certain conditions discussed under the heading "THE PERMANENT

SCHOOL FUND GUARANTEE PROGRAM," and "APPENDIX E-THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein, the District expects that the Bonds will be guaranteed by the corpus of the Permanent School Fund of the State.

In the event of default, registered owners will receive all payments due on the Bonds from the corpus of the Permanent School Fund of the State. (See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "APPENDIX E-THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM.") The Permanent School Fund Guarantee will terminate with respect to the Bonds that are defeased. (See "– Defeasance.)"

Defeasance

The Bonds may be defeased in any manner now or hereafter permitted by law.

Defeasance of the Bonds cancels the Permanent School Fund Guarantee with respect to such defeased Bonds.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, interest and redemption payments on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District, the Municipal Advisor and the Underwriter believe the source of such information to be reliable, but none of the District, the Municipal Advisor or the Underwriter takes any responsibility for the accuracy or completeness thereof.

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each stated maturity of Bonds, as set forth on page ii hereof, 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"). The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal amounts and interest payments 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 dates 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 in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Paying Agent/Registrar, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Paying Agent/Registrar. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Paying Agent/Registrar's DTC account.

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 transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

Use of Certain Terms in Other Sections of this Official Statement

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

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

Initially, the only registered owner of the Bonds will be The Depository Trust Company. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the duties of DTC with regard to ownership of Bonds.

Effect of Termination of Book-Entry-Only System

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the District, printed Bonds 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 "TRANSFER, EXCHANGE AND REGISTRATION."

TRANSFER, EXCHANGE AND REGISTRATION

In the event the Book-Entry-Only System should be discontinued, interest on the Bonds will be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date, and such interest will be paid (i) by check sent United States mail, first class, postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal and redemption payments, as applicable, of the Bonds will be paid to the registered owner at the stated maturity or earlier redemption, as applicable, upon presentation to the designated payment/transfer office of 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 "BOOK-ENTRY-ONLY SYSTEM" herein. If the date for the payment of the principal of or interest on the Bonds is a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the principal corporate trust office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment will be the next succeeding day which is not such a day, and payment on such date will have the same force and effect as if made on the date payment was due.

Paying Agent/Registrar

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

Future Registration

In the event the Book-Entry-Only System is discontinued, printed Bond certificates will be delivered to the owners of the Bonds and thereafter the Bonds may be transferred, registered and assigned on the registration books only upon presentation and surrender of such printed certificates to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment must be acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bond or 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. New Bonds registered and delivered in an exchange or transfer shall be in authorized denominations and for a like kind and aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. See "BOOK-ENTRY-ONLY SYSTEM" for a description of the system to be utilized initially in regard to the ownership and transferability of the Bonds.

Record Date for Interest Payment

The Record Date for the interest payable on the Bonds means the close of business on the last business day of the month next preceding such interest payment date. In the event of a 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 ("Special Payment Date"), which shall be 15 days after the Special Record Date shall be sent at least five days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Holder of an Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing of such notice.

Limitation on Transfer of Bonds

The Paying Agent/Registrar shall not be required to make any transfer or exchange any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

Replacement Bonds

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

Bondholders' Remedies

The Order does not provide for the appointment of a trustee to represent the interests of the registered owners upon any failure of the District to perform in accordance with the terms of the Order or upon any other condition and, in the event of any such failure to perform, the registered owners would be responsible for the initiation and cost of any legal action to enforce performance of the Order. Furthermore, the Order does not establish specific events of default with respect to the Bonds and, under State law, there is no right

to the acceleration of maturity of the Bonds upon the failure of the District to observe any covenant under the Order. A registered owner of Bonds could seek a judgment against the District if a default occurred in the payment of principal of or interest on any such Bonds; however, such judgment could not be satisfied by execution against any property of the District and a suit for monetary damages could be vulnerable to the defense of sovereign immunity.

A registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the District to levy, assess and collect an annual ad valorem tax sufficient, within the limits prescribed by law, to pay principal of and interest on the Bonds as it becomes due or perform other material terms and covenants contained in the Order; however, this may be limited by the District's M&O tax rate required to satisfy its Tier One Tax Rate and Enrichment Tax Rate. See "TAX RATE LIMITATIONS" herein. In general, Texas courts have held that a writ of mandamus may be issued to require a public official to perform legally imposed ministerial duties necessary for the performance of a valid contract, and Texas law provides that, following their approval by the Texas Attorney General and issuance, the Bonds are valid and binding obligations for all purposes according to their terms. However, the enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis.

Chapter 1371, Texas Government Code, as amended ("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. The District has not waived the defense of sovereign immunity with respect thereto. Because it is unclear whether the Texas legislature has effectively waived the District's sovereign immunity from a suit for money damages outside of Chapter 1371, Bondholders may not be able to bring such a suit against the District for breach of the Bonds or Order covenants. 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.

The District is also 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 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 registered owners 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 Order and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors, including rights afforded to creditors under the Bankruptcy Code and general principles of equity that permit the exercise of judicial discretion.

See "APPENDIX E - 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 that the District fails to make a payment on the Bonds when due.

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

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, *Morath v. The Texas Taxpayer & Student Fairness Coal.*, 490 S.W.3d 826 (Tex. 2016) ("*Morath I*"). The plaintiffs and intervenors in the case had alleged that the Finance System, as modified by the Legislature in part in response to prior decisions of the Court, violated Article VII, Section 1 and Article VIII, Section 1-e of the Texas Constitution.

In its opinion, the Court held that "[d]espite the imperfections of the current school funding regime, it meets minimum constitutional requirements." The Court also noted that:

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

Current Litigation Relating to the Texas Public School Finance System

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

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

Possible Effects of Changes in Law on District Bonds

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

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

Overview

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

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

2025 Legislative Sessions

The regular session of the 89th Texas Legislature convened on January 14, 2025 and concluded on June 2, 2025 (the "89th Regular Session"). The Texas Legislature (the "Legislature") meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Governor called and the Legislature 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 increased: (1) the State mandated general homestead exemption from $100,000 to $140,000, (2) the additional exemption on the residence homesteads of those at least sixty-five (65) years of age or disabled from $10,000 to $60,000, and (3) the exemption for tangible personal property used in the production of income from the current $2,500 to $125,000. Voters approved constitutional amendments authorizing the new exemptions at a statewide election held on November 4, 2025. Additionally, the Legislature passed legislation authorizing roughly $8.5 billion in funding for public schools and provided districts with a $55 per-student increase to their base funding beginning September 1, 2025, as well as additional funding for teacher and staff salaries, educator preparation, special education, safety requirements and early childhood learning.

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

Local Funding for School Districts

A school district's M&O tax rate is composed of two distinct parts: the "Tier One Tax Rate", which is the local M&O tax rate required for a school district to receive any part of the basic level of State funding (referred to herein as "Tier One") under the Foundation School Program, as further described below, and the "Enrichment Tax Rate", which is any local M&O tax effort in excess of its Tier One Tax Rate. 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 "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Revenue Level In Excess of Entitlement" herein.

State Compression Percentage. The "State Compression Percentage" or "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 100; or (2) a percentage determined by formula if the school district experienced a year-over-year increase in property value of at least 2.5% (if the increase in property value is less than 2.5%, then MCR is equal to the prior year's MCR). However, each year the TEA shall evaluate the MCR for each school district in the State, and for any given year, if a school district's MCR is calculated to be less than 90% of any other school district's MCR for the current year, then the school district's MCR is instead equal to the school district's prior year MCR, until TEA determines that the difference between the school district's MCR and any other school district's MCR is not more than 10%. These compression formulas are intended to more closely equalize local generation of Tier One funding among districts with disparate tax bases and generally reduce the Tier One Tax Rates of school districts as property values increase. During the 2025 Legislative Session, the Legislature took action to reduce the maximum MCR for the 2025-2026 school year. The MCR for the 2025-2026 school year is $0.6322 and the floor is $0.5689.

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. At a Statewide election held on November 4, 2025, voters approved constitutional amendments which increase (1) the State mandated general homestead exemption from $100,000 to $140,000, and (2) the additional exemption on the residence homesteads of those at least sixty-five (65) years of age or disabled from $10,000 to $60,000. Such constitutional amendments take 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 calculated M&O revenues generated by the school district's respective M&O tax rates.

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

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

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

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

The Basic Allotment for school districts with a Tier One Tax Rate equal to the school district's MCR, is $6,160 plus the guaranteed yield increment adjustment (the "GYIA") for each student in ADA and is revised downward for school districts with a Tier One Tax Rate lower than the school district's MCR. The GYIA is established by October 1 of each even-numbered year for the subsequent biennium. For the 2026-27 biennium, the GYIA is set at $55. The Basic Allotment is 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 incentive allotment to increase teacher compensation retention in disadvantaged or rural school districts. A school district's total Tier One funding, divided the district's Basic Allotment is a school district's measure of students in "Weighted Average Daily Attendance" ("WADA"), which serves to calculate Tier Two funding.

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

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

Tier Two. Tier Two supplements Tier One funding and provides two levels of enrichment with different guaranteed yields (i.e., Golden Pennies and Copper Pennies) depending on the school district's Enrichment Tax Rate. Golden Pennies generate a guaranteed yield equal to 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. The guaranteed level of State and local funds per student per cent of local tax effort applicable to the bonds may not be reduced below the level provided for the year in which the bonds were issued. For the 2026-2027 State fiscal biennium, the State Legislature did not appropriate any funds for new IFA awards; however, awards previously granted in years the State Legislature did appropriate funds for new IFA awards will continue to be funded.

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

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

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

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

Local Revenue Level in Excess of Entitlement

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

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

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

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

THE SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT

For the 2026-2027 school year, the District was designated as an "excess local revenue" district by the TEA. According to currently available information from TEA, the District is subject to recapture and, therefore, the District is required to exercise one of the wealth equalization options permitted under applicable State law. The District has notified the TEA that it intends to reduce its wealth per student pursuant to Option 3, an agreement to purchase attendance credits pursuant to Chapter 49, Texas Education Code, as amended (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Revenue in Excess of Entitlement").

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

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

AD VALOREM TAX PROCEDURES

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

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 Jefferson Central Appraisal District (the "Appraisal District"). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District as of January 1 of each year and on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board. See " – DISTRICT AND TAXPAYER REMEDIES."

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property. The 10% increase is cumulative, meaning the maximum increase is 10% times the number of years since the property was last appraised.

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

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

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the District, in establishing their tax rolls and tax rates (see " – DISTRICT AND TAXPAYER REMEDIES").

State Mandated Homestead Exemptions

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

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 clause (1) above that was granted in tax year 2022 through December 31, 2027.

State Mandated Freeze on School District Taxes

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

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

Personal Property

Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property. Legislation passed by the Legislature during the 89th Regular Session and approved by voters provides a person an exemption from taxation by a taxing unit of $125,000 of the appraised value of tangible personal property the person owns that is held or used for the production of income and has taxable situs at the same location in the taxing unit. A person who leases tangible personal property is also entitled to a tax exemption of $125,000, regardless of where the property is located in the taxing unit.

Freeport and Goods-In-Transit Exemptions

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

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

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

Temporary Exemption for Qualified Property Damaged by a Disaster

The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the Governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. 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 of the 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 Property Tax Code, as amended.

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.

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" and "-The Property Tax Code as Applied to the District").

Tax Limitation Agreements

The Texas Economic Development Act (Chapter 313, Texas Tax Code, as amended) allows 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"). During the Regular Session of the 88th Texas Legislature, House Bill 5, codified as Chapter 403, Subchapter T, Texas Government Code ("Chapter 403T") was enacted into law. Chapter 403T is intended as a replacement of former Chapter 313, Texas Tax Code ("Chapter 313"), but it contains significantly different provisions than the prior program under Chapter 313. Under Chapter 403T, a school district may offer a 50% abatement on taxable value for M&O property taxes for certain eligible projects, except that projects in a federally designated economic opportunity zone receive a 75% abatement. Chapter 403T also provides a 100% abatement of M&O taxes for eligible property during a project's construction period. Eligible projects must relate to manufacturing, provision of utility services, dispatchable electric generation (such as non-renewable energy), development of natural resources, critical infrastructure, or research and development for high-tech equipment or technology, and projects must create and maintain jobs and meet certain minimum investment requirements.

For a discussion of how the various exemptions described above are applied by the District, see "-The Property Tax Code as Applied to the District."

District and Taxpayer Remedies

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

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount 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%) of the delinquent tax, penalty, and interest collected, 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.

District's Rights in the Event of Tax Delinquencies

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

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

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

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

The Property Tax Code as Applied to the District

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

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

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

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

The District does grant a local option, additional exemption of the market value of the residence homestead, above the State mandated exemption, of persons 65 years of age or older or of the disabled.

The District does not grant a local option, additional exemption for disabled veterans above the amount of the State mandated exemption.

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

The District does not tax Freeport Property.

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

The District does not participate in a TIRZ.

The District does participate in Tax Abatement Agreements.

As listed below, the District currently has three active Chapter 313 value-limitation agreements (see APPENDIX A – Table 5 – Ten Largest Taxpayers).

Chapter 313 Applications and Agreements

Company	Application No.	Total Investment	Capped Value for M&O Taxation	First Year of Value Limitation for M&O Taxation	Final Year of Value Limitation for M&O Taxation
Premcor Refining Group, Inc.	1205	$768,000,000	$30,000,000	2024	2034
Diamond Green Diesel, LLC	1501	$1,295,137,280	$30,000,000	2024	2034
GT Logistics, LLC	1550	$243,000,000	$30,000,000	2024	2034

The District's Chapter 313 value-limitation applications and agreements can be viewed at the Texas Comptroller's website: https://www.comptroller.texas.gov/economy/local/ch313/agreement-docs.php (see also APPENDIX C – Excerpts of the District's Annual Financial Report – Note 14).

Concentration of Assessed Value in Principal Taxpayers

The District's largest taxpayer by assessed valuation, Motiva Enterprises LLC ("Motiva"), accounts for approximately 23.52% of the District's tax base. Including Motiva, the top ten taxpayers in the District currently account for approximately 48.07% of the District's tax base (see APPENDIX A – Table 5 – Ten Largest Taxpayers). Several of the District's largest taxpayers by assessed valuation are commercial enterprises largely dependent on the energy, oil and gas industries (see "EXPOSURE TO OIL AND GAS INDUSTRY"). Adverse developments in economic conditions in those industries could adversely impact tax values in the District, resulting in less tax revenue. Additionally, as described below, the District has been and may be materially adversely affected by current or future litigation related to property tax valuation by its principal taxpayers.

TAX RATE LIMITATIONS

M&O Tax Rate Limitation

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 May 19, 1962 in accordance with the provisions of Article 2784e-1, Texas Revised Civil Statutes Annotated, as amended.

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

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

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 for school building purposes pursuant to Chapter 45, Texas Education Code, as new debt and are subject to the 50-cent Test.

Public Hearing and Voter-Approval Tax Rate

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

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

The Voter-Approval Tax Rate for a school district is the sum of (i) the school district's MCR; (ii) the greater of (a) the school district's Enrichment Tax Rate for the preceding year, less any amount by which the school district is required to reduce its current year Enrichment Tax Rate pursuant to Section 48.202(f), Education Code, as amended, or (b) the rate of $0.05 per $100 of taxable value; and (iii) the school district's current I&S tax rate. A school district's M&O tax rate may not exceed the rate equal to the sum of (i) $0.17 (subject to compression of the nine available copper pennies in a year in which the State increases the guaranteed yield on those pennies) 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 may limit or impact the District's ability to set an I&S tax rate in each year sufficient to pay debt service on all of the District's tax-supported debt obligations, including the Bonds.

Before adopting its annual tax rate, a public meeting must be held for the purpose of adopting a budget for the succeeding year. A notice of public meeting to discuss the school district's budget and proposed tax rate must be published in the time, format and manner prescribed in Section 44.004 of the Texas Education Code. Section 44.004(e) of the Texas Education Code provides that a person who owns taxable property in a school district is entitled to an injunction restraining the collection of taxes by the school district if the school district has not complied with such notice requirements or the language and format requirements of such notice as set forth in Section 44.004(b), (c), (c-1), (c-2), and (d), and, if applicable, subsection (i) of the Texas Education Code, and if such failure to comply was not in good faith. Section 44.004(e) of the Texas Education Code 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.

WEATHER EVENTS

The District is located near the Texas Gulf Coast. Land located in this area is susceptible to, and land in the District has experienced on several occasions in the last five years, high winds, heavy rain and flooding caused by hurricanes, tropical storms, and other tropical disturbances. If a future weather event significantly damaged all or part of the properties comprising the tax base within the District, the assessed value of property within the District could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase in the District's tax rate. 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.

CYBERSECURITY

The District, like other school districts in the State, utilizes technology in conducting its operations. As a user of technology, the District potentially faces cybersecurity threats (e.g., hacking, phishing, viruses, malware and ransomware) on its technology systems. Accordingly, the District may be the target of a cyber-attack on its technology systems that could result in adverse consequences to the District. The District employs a multi-layered approach to combating cybersecurity threats. While the District deploys layered technologies and requires employees to receive cybersecurity training, as required by State law, among other efforts, cybersecurity breaches could cause material disruptions to the District's finances or operations. The costs of remedying such breaches or protecting against future cyber-attacks could be substantial and there is no assurance that these costs will be covered by insurance. Further, cybersecurity breaches could expose the District to litigation and other legal risks, which could cause the District to incur other costs related to such legal claims or proceedings. To date, the District has not been the victim of any cyber-attack that has had a material adverse effect on its operations or financial condition.

EXPOSURE TO OIL AND GAS INDUSTRY

In the past, the region has been particularly affected by adverse conditions in the oil and gas industry, and adverse conditions in the oil and gas industry and spillover effects into other industries could adversely impact the businesses of ad valorem property taxpayers and the property values in the District, resulting in a reduction in property tax revenue. The Bonds are secured by an ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds. Reductions in oil and gas revenues may also have an adverse effect on State revenues available during the next biennium, which may impact how the State funds education.

RETIREMENT PLANS AND OTHER POST-EMPLOYMENT BENEFITS

Employees' Retirement Plan

The District participates in a cost-sharing multi-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas ("TRS"). The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. At August 31, 2025, the District reported a liability of $30,695,479 for its proportionate share of the TRS's net pension liability. The State's proportionate share that is associated with the District is $36,270,931. For more detailed information concerning the plan, see Note 9 to APPENDIX C.

Detailed information about the TRS fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. The TRS's Comprehensive Annual Financial Report can be accessed by visiting www.trs.texas.gov.

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 that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. For the District's fiscal year ended August 31, 2025, the State contributed $1,143,444 on behalf of the District, District employees paid $401,600, contributions from the District were $553,345 and contributions from federal/private funding were 62,447.

As of August 31, 2025, the total Net OPEB Liability of the plan was $48,162,035 and the District's share of the liability was $21,376,975. For further information, see Note 10 to APPENDIX C.

Detailed information about the TRS-Care is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. The TRS's Comprehensive Annual Financial Report can be accessed by visiting www.trs.texas.gov.

INVESTMENTS

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

Legal Investments

Under State 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 or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel—however the obligations described in clauses (1) through (6) above do not include (i) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal, (ii) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest, (iii) collateralized mortgage obligations that have a stated final maturity date of greater than 10 years, and (iv) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index; (7) certificates of deposit and share certificates meeting the requirements of the Public Funds Investment Act, (i) that are issued by a depository institution that has its main office or a branch office in the State and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) 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 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 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 2257.04(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3); (8) 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—however, the obligations described in this clause (8) may not have a term longer than 90 days from the date of delivery of the reverse security repurchase agreement, additionally, the District may reinvest reverse security repurchase agreement proceeds only in authorized investments that mature no later than the expiration date of the reverse security repurchase agreement proceeds; (9) securities lending programs if (i) the value of the securities loaned under the program, including accrued income, are at least 100% collateralized, (ii) a loan made under the program allows for termination at any time, (iii) a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a bank, organized under the laws of the State or the United States, 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 (6) above, clauses (11) through (13) and clause (15) below; (iv) 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 with a third party selected by or approved by the District; (v) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (vi) the agreement to lend securities has a term of one year or less; (10) certain bankers' acceptances (i) with a stated maturity of 270 days or fewer, (ii) will be liquidated in full at maturity in accordance with its terms, (iii) that are eligible for collateral for borrowing from a Federal Reserve Bank, and (iv) that are accepted by a bank organized and existing under the laws of the State or the United States if the short-term obligations of the accepting bank or of a bank holding company of which the accepting bank is the largest subsidiary, are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (11) commercial paper with a stated maturity of 270 days or fewer that is rated at least "A-1" or "P-1" or the equivalent by at least (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the State or the United States; (12) no-load money market mutual funds (i) that are registered with and regulated by the Securities and Exchange Commission (ii) that provide the District with a prospectus and other information required by the Securities Exchange Act of 1934 (15 U.S.C. Section 78a et seq.) or the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.), (iii) that have a dollar-weighted average stated maturity of 90 days or less, and (iv) that include in their investment objectives the maintenance of a stable net asset value of $1 for each share; (13) no-load mutual funds (i) that are registered with the Securities and Exchange Commission, (ii) that have an average weighted maturity of less than two years, (iii) that invest exclusively in obligations designated as authorized investments for governmental entities pursuant to Subchapter A of the Public Funds Investment Act, (iv) are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or its equivalent, and (v) that comply with the requirements of the Public Funds Investment Act relating to the eligibility of investment pools to receive and invest District funds; (14) guaranteed investment contracts (i) that have a defined termination date, (ii) are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities (except those obligations prohibited by clauses 6(i) through 6(iv) above) in an amount at least equal to the amount of bond proceeds invested under such contract, and (iii) are pledged to the District and deposited with the

District or with a third party selected and approved by the District; and (15) investment pools if (i) the Board authorizes investment in the specific investment pool by an order and (ii) the District receives an offering document that meets the requirements of the Public Funds Investment Act from the investment pool.

In addition, in order for guaranteed investment contracts to be authorized investments—(1) the Board must specifically authorize guaranteed investment contracts as an eligible investment in the Order; (2) the District must receive bids from at least three separate providers with no material financial interest in the bonds from which proceeds were received; (3) the District must purchase the highest yielding guaranteed investment contract for which a qualifying bid is received; (4) the price of the guaranteed investment contract must take into account a reasonably expected drawdown schedule for bond proceeds; and (5) the guaranteed investment contract provider must certify the administrative costs reasonably expected to be paid to third parties in connection with the guaranteed investment contract.

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 or resolution.

The District is also authorized to purchase, sell, and invest its funds in corporate bonds, if the Board—(1) amends its investment policy to authorize corporate bonds as an eligible investment; (2) adopts procedures to (i) monitor rating changes in corporate bonds acquired with public funds and (ii) liquidate the investment in corporate bonds; and (3) identifies the funds eligible for investment in corporate bonds. "Corporate bond" is defined as a senior secured debt obligation issued by a domestic business entity and rated not lower than "AA-" or the equivalent by a nationally recognized investment rating firm (does not include convertible bonds or unsecured debt). The bonds must have a stated final maturity that is not later than 3 years of the date the corporate bonds were purchased. The District may not (1) invest more than 15 percent 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 percent of the funds invested in corporate bonds in any one domestic business entity, including subsidiaries and affiliates of the entity. The District must sell corporate bonds if they are rated "AA-" or its equivalent and the corporate bonds (or the domestic corporate entity issuing the corporate bonds) are either downgraded or placed on negative credit watch. Corporate bonds are not an eligible investment for a public funds investment pool. As of the date of this Official Statement, the District has taken no such steps with respect to investment in corporate bonds, nor does it currently intend to do so.

Investment Policies

Under State law, the District is required to invest its funds under written investment policies, adopted by Board order, that—(1) primarily emphasize safety of principal and liquidity; (2) that address investment diversification, yield, maturity, and the quality and capability of investment management; and (3) includes (i) a list of authorized investments for District funds, (ii) the maximum allowable stated maturity of any individual District investment, (iii) for pooled fund groups, the maximum dollar-weighted average maturity based on the stated maturity for the portfolio, (iv) methods to monitor the market price of investments acquired with District funds, (v) a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and (vi) procedures to monitor rating changes in investments acquired with District funds and the liquidation of such investments consistent with the Public Funds Investment Act. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically describes each fund's investment objectives using the following priorities: (1) suitability of investment type; (2) preservation and safety of principal; (3) liquidity; (4) marketability of each investment; (5) diversification of the portfolio; and (6) yield.

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

TAX MATTERS FOR THE BONDS

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

In the opinion of Creighton, Fox, Johnson & Mills, PLLC ("Bond Counsel"), under existing law (i) interest on the Bonds is excludable from gross income for federal income tax purposes and (ii) the Bonds are not "private activity bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and, as such, interest on the Bonds is not subject to the alternative minimum tax imposed on individuals under the Code; however, interest on the Bonds is included in the "adjusted financial statement income" of certain corporations that are subject to the corporate alternative minimum tax.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The District has covenanted in the Order that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Order pertaining to those sections of the Code that affect the excludability from gross income for federal income tax purposes and, in addition, will rely on representations by the District, the District's Municipal Advisor and the Underwriter with respect to matters solely within the knowledge of the District, the District's Municipal Advisor and the Underwriter, respectively, which Bond Counsel has not independently verified. If the District fails to comply with the covenants in the Order or if the foregoing representations are determined to be inaccurate or incomplete, interest on the Bonds could become includable in gross income from the date of delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Bonds.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems 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 as to 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 and the Owners may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds regardless of the ultimate outcome of the audit.

Additional Federal Income Tax Considerations

Collateral Tax Consequences. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Prospective purchasers of the Bonds should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

Tax Accounting Treatment of Original Issue Premium. The issue price of all or a portion of the Bonds may exceed the stated redemption price payable at maturity of such Bonds. Such Bonds (the "Premium Bonds") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Premium Bond.

The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Premium Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium Bond and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Bonds.

Tax Accounting Treatment of Original Issue Discount Bonds. The issue price of all or a portion of the Bonds may be less than the stated redemption price payable at maturity of such Bonds (the "Original Issue Discount Bonds"). In such case, the difference between (i) the amount payable at the maturity of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds. Generally, such initial owner 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 period that such Original Issue Discount Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Bonds under the subcaptions "– Additional Federal Income Tax Considerations" and "– Tax Legislative Changes" generally apply and should be considered in connection with the discussion in this portion of the Official Statement.

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.

The foregoing discussion assumes that (i) the Underwriter has purchased the Bonds for contemporaneous sale to the public and (ii) all of the Original Issue Discount Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on pages ii and iii of this Official Statement. Neither the District nor Bond Counsel has made any investigation or offers any comfort that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each Original Issue Discount Bond accrues 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 (i) 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 (ii) the amounts payable as current interest during such accrual period on such Bond.

The federal income tax consequences of the purchase, ownership, and redemption, sale or other disposition of Original Issue Discount Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that 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 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.

Tax Legislative Changes

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

CONTINUING DISCLOSURE OF INFORMATION

In the Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access ("EMMA") system, where it will be available to the general public, free of charge, at www.emma.msrb.org.

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 in APPENDIX A (Tables 1 through 13), APPENDIX B and APPENDIX C. The District will update and provide this information within six months after the end of each fiscal year.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by Rule 15c2-12. The updated information will include audited financial statements, if the District commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the District will provide unaudited financial information by the required time and audited financial statements to such persons when and if the audit report becomes available. Any financial statements will be prepared in accordance with the accounting principles described in APPENDIX C or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

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

Event Notices

The District will file with the MSRB notice of any of the following events with respect to the Bonds in a timely manner (and not more than 10 business days after occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the 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 paying agent/registrar or the change of name of a paying agent/registrar, if material; (15) incurrence of a Financial Obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties. Neither the Bonds nor the Order make any provision for debt service reserves, credit enhancement or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information and operating data in accordance with its agreement described above under "Annual Reports." The District will provide each notice described in this paragraph to the MSRB.

For these purposes, (A) 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, (B) as used in clauses (15) and (16) in the immediately preceding paragraph, "Financial Obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of a debt obligation or any such derivative instrument; provided that "Financial Obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule, and (C) the District intends the words used in clauses (15) and (16) and the definition of Financial Obligation to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018 (the "2018 Release") and any further written guidance provided by the SEC or its staff with respect to the amendments to the Rule effected by the 2018 Release.

All documents provided to the MSRB shall be accompanied by identifying information, as prescribed by the MSRB.

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 and beneficial owners 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 to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if (1) the agreement, as amended would have permitted an underwriter to purchase or sell the Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances, and (2) either (a) the registered owners of a majority in aggregate principal amount (or any greater amount required by any other provisions of the Order that authorizes such amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interest of the registered owners and beneficial owners of the Bonds. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable 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 amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under

"Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in type of information and data provided.

Compliance with Prior Undertakings

Except as provided herein, 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 Rule 15c2-12.

Due to an administrative oversight, the District did not timely file an event notice for Fitch Ratings' ("Fitch") downgrade of the District's long-term issuer default rating to "A" from "A+" that occurred on July 25, 2025. The District's Preliminary Official Statement, dated August 13, 2025, and Official Statement, dated August 20, 2025, for the District's Unlimited Tax School Building Bonds, Series 2025, both reflected the downgraded rating. The District filed an event notice with EMMA for the Fitch ratings downgrade on July 31, 2026.

For additional information, please refer to EMMA's website at www.emma.msrb.org.

OTHER INFORMATION

Ratings

The Bonds are rated "AAA" by Fitch and "Aaa" by Moody's Investor Service, Inc. ("Moody's") by virtue of the guarantee of the Permanent School Fund of the State of Texas. See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM." The District's underlying rating for the Bonds (without consideration of the Permanent School Fund Guarantee or other credit enhancement) is "A" by Fitch and "A2" by Moody's.

An explanation of the significance of such ratings may be obtained from the company furnishing the rating. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time. The ratings reflect only the view 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 rating company, circumstances so warrant.

The District has outstanding bonds that are also rated by S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P"). The District did not request a rating for the Bonds from S&P.

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 District's financial statements or operations of the District. At any given time, the District is a party to numerous lawsuits, complaints, pending claims or other actions in various stages of litigation ranging from early discovery to various stages of appeal. The amount of damages in some cases is limited by the Texas Tort Claims Act. The District intends to vigorously defend each of these lawsuits or claims; however, no prediction can be made as to the outcome of these matters.

Legal Investments and Eligibility to Secure Public Funds in Texas

Under the Texas Public Security Procedures Act (Texas Government Code, Chapter 1201), the Bonds (1) are negotiable instruments, (2) are investment securities to which Chapter 8 of the Texas Uniform Commercial Code applies, and (3) are legal and authorized investments for (A) an insurance company, (B) a fiduciary or trustee, or (C) a sinking fund of a municipality or other political subdivision or public agency of the State. The Bonds are eligible to secure deposits of any public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in the State which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Bonds may have to be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency before such Bonds are eligible investments for sinking funds and other public funds. 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. No review has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

Registration and Qualification of Bonds for Sale

No registration statement relating to the Bonds has been filed with the Securities and Exchange Commission under the 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 registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities acts of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration and qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdictions.

Legal Matters

The District will furnish a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinions of the Attorney General of Texas 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 limit as to rate or amount, upon all taxable property in the District, the legal opinions of the Creighton, Fox, Johnson & Mills, PLLC, Beaumont, Texas, Bond Counsel, to the effect that the Bonds are valid, legally binding, and enforceable obligations of the District and are payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property within the District, except to the extent the enforceability of the Bonds may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. The form of Bond Counsel's opinion is attached hereto as APPENDIX D.

Additionally, Bond Counsel has reviewed the information under the captions "PLAN OF FINANCE" (except for the information under the subcaption "Sources and Uses of Funds"), "THE BONDS," "TRANSFER, EXCHANGE AND REGISTRATION," and "CONTINUING DISCLOSURE OF INFORMATION" (except for the information under the subcaption "Compliance with Prior Undertakings," as to which no opinion need be expressed), and Bond Counsel is of the opinion that the information contained under such captions is a fair and accurate summary of the Bonds and the Order; further, Bond Counsel has reviewed the statements and information under the captions "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS," "CURRENT PUBLIC SCHOOL FINANCE SYSTEM," "TAX RATE LIMITATIONS," "TAX MATTERS FOR THE BONDS," "OTHER INFORMATION – Legal Investments and Eligibility to Secure Public Funds in Texas," " – Registration and Qualification of Bonds of Sale" and " – Legal Matters" and Bond Counsel is of the opinion and that the information contained therein is correct as to matters of law. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. Certain matters will be passed upon for the District by Bracewell LLP, Houston, Texas, as Disclosure Counsel. Holland & Knight LLP, Houston, Texas, and The Bates Law Firm PLLC, Houston, Texas, will pass upon certain legal matters for the Underwriters as Co-Counsel to the Underwriters.

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

Municipal Advisor

RBC Capital Markets, LLC is employed as Municipal Advisor to the District in connection with the issuance of the Bonds. The Municipal Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. RBC Capital Markets, LLC, in its capacity as Municipal 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. In the normal course of business, the Municipal Advisor may also from time to time sell investment securities to the District for the investment of bond proceeds or other funds of the District upon the request of the District. The Municipal Advisor may also receive a fee for conducting a competitive bidding process regarding the investment of certain proceeds of the Bonds.

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

Underwriting

The Underwriters have agreed, subject to certain customary conditions, to purchase the Bonds from the District for $90,592,510.70 (being the principal amount of the Bonds, plus a premium of $3,527,564.85 and less an Underwriters' discount of $470,054.15).

The Underwriters' obligations are subject to certain conditions precedent, and they will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

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

One of the Underwriters of the Bonds 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.

SAMCO Capital Markets Inc., an Underwriter of the Bonds, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, "Fidelity"). Under this distribution agreement, SAMCO Capital Markets Inc. may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, SAMCO Capital Markets Inc. will compensate Fidelity for its selling efforts.

Authenticity of Financial Data and Other Information

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

Use of Audited Financial Statements

The audited financial statements of the District for the fiscal year ended August 31, 2025 are included in APPENDIX C. The District's auditor Whitley Penn, L.L.P., has not reviewed, commented on or approved and is not associated with this Official Statement. The District's auditor has not performed any procedures on any financial statements or other financial information of the District and has not been asked to consent to the inclusion of its report in this Official Statement.

Forward-Looking Statements

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

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

Miscellaneous

The Order authorizing the issuance of the Bonds approved the use of this Official Statement and any addenda, supplement or amendment thereto in the reoffering of the Bonds by the Underwriter in accordance with the provisions of the Rule.

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APPENDIX A

PERTINENT INFORMATION REGARDING THE DISTRICT TAX DATA AND FINANCIAL INFORMATION

Includes pertinent information about State Law and Property Tax Code as applied to the
District, financial information and policies that are an integral part of the Official Statement

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APPENDIX A

PERTINENT INFORMATION REGARDING DISTRICT TAX DATA AND FINANCIAL INFORMATION

Table 1 - VALUATION, EXEMPTIONS, AND TAX SUPPORTED DEBT

2026/27 Total Appraised Value (Excludes Fully Exempt Property)		$ 9,359,960,455
Less Exemptions/Reductions at 100% Market Value[1]:		
Productivity Loss	$ 51,402,671	
Homestead Cap	245,727,924	
Non-Residential Homestead Cap	130,614,500	
State Mandated Homestead	997,124,550	
State Mandated Over 65	52,813,073	
Local Option Over 65	7,930,921	
State Mandated Disabled	5,280,427	
Local Option Disabled	728,680	
State Mandated Disabled Veterans	29,777,673	
Pollution Control/Other	510,411,868	
Total Exemptions/Reductions		$ 2,031,812,287
2026/27 Taxable Assessed Valuation (I&S)[1]		$ 7,328,148,168

Port Arthur ISD Ad Valorem Tax Debt

Outstanding Unlimited Tax Debt (as of August 15, 2026)……	$ 406,960,000
Plus: The Bonds……	87,535,000
Less: Interest & Sinking Fund Balance (as of August 15, 2026; est. unaudited figure)……	(8,541,310)
Net Unlimited Tax Debt Outstanding	$ 485,953,690
Ratio Net Funded Debt to Taxable Assessed Valuation	6.63%

2025/26 Enrollment		8,041
2026 Estimated District Population		51,334 [2]
Per Capita Taxable Assessed Valuation	$	142,754
Per Capita Net Debt	$	9,467

[1] Source: Port Arthur ISD (the "District") and Jefferson Central Appraisal District (the "Appraisal District"). The District is affected by an economic incentive exemption under Tax Code 313.027. The Taxable Assessed Valuation figures presented here and elsewhere in this filing, reflect the District's taxable value for I&S tax purposes. The District's M&O taxable value is lower because of the economic incentives. Values shown reflect the application of a State-mandated general homestead exemption of $140,000 and State-mandated homestead exemption of persons sixty-five (65) years of age or older and the disabled of $60,000.

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

Table 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY[1]

	Taxable Assessed Valuation for Fiscal Years				
	2026/27	**2025/26**	**2024/25**	**2023/24**	**2022/23**
Residential, Single-Family	$ 2,219,865,366	$ 2,069,015,925	$ 2,017,123,585	$ 1,811,047,281	$ 1,636,880,761
Residential, Multi-Family	268,608,700	254,927,785	263,166,464	242,669,795	218,500,942
Vacant Lots/Tracts	126,082,681	111,636,854	47,808,258	44,513,956	43,641,310
Rural Land/Farm & Ranch	157,205,358	128,339,297	37,160,441	135,847,376	129,173,111
Commercial & Industrial	4,884,708,092	4,708,814,316	4,946,934,766	4,460,416,768	3,615,572,902
Oil, Gas and Other Minerals	4,421,206	3,560,472	3,857,793	6,611,414	6,447,311
Goods in Transit	-	64,712	64,712	64,712	64,712
Tangible Personal, Utilities	340,801,930	247,819,238	241,454,080	237,397,705	211,655,977
Commercial Personal	404,770,770	325,791,457	279,144,878	269,492,245	220,287,700
Industrial Personal	943,375,253	854,593,713	836,776,165	711,335,933	664,324,212
Mobile Homes	488,040	501,530	543,654	383,701	372,376
Residential Inventory	1,191,935	1,399,663	867,099	961,017	976,557
Special Inventory	8,441,124	8,880,827	8,944,153	8,719,693	7,669,774
Total Appraised Value	$ 9,359,960,455	$ 8,715,345,789	$ 8,683,846,048	$ 7,929,461,596	$ 6,755,567,645
Less: Exemptions/Reductions	(2,031,812,287)	(1,842,360,566)	(1,576,058,899)	(1,412,281,998)	(1,033,280,222)
Taxable Assessed Value	**$ 7,328,148,168**	**$ 6,872,985,223**	**$ 7,107,787,149**	**$ 6,517,179,598**	**$ 5,722,287,423**

	Percentage Assessed Valuation by Category				
	2026/27	**2025/26**	**2024/25**	**2023/24**	**2022/23**
Residential, Single-Family	23.72%	23.74%	23.23%	22.84%	24.23%
Residential, Multi-Family	2.87%	2.93%	3.03%	3.06%	3.23%
Vacant Lots/Tracts	1.35%	1.28%	0.55%	0.56%	0.65%
Rural (Land Only)	1.68%	1.47%	0.43%	1.71%	1.91%
Commercial & Industrial	52.19%	54.03%	56.97%	56.25%	53.52%
Oil, Gas and Other Minerals	0.05%	0.04%	0.04%	0.08%	0.10%
Goods in Transit	0.00%	0.00%	0.00%	0.00%	0.00%
Tangible Personal, Utilities	3.64%	2.84%	2.78%	2.99%	3.13%
Commercial Personal	4.32%	3.74%	3.21%	3.40%	3.26%
Industrial Personal	10.08%	9.81%	9.64%	8.97%	9.83%
Mobile Homes	0.01%	0.01%	0.01%	0.00%	0.01%
Residential Inventory	0.01%	0.02%	0.01%	0.01%	0.01%
Special Inventory	0.09%	0.10%	0.10%	0.11%	0.11%
Total Appraised Value	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

[1] Source: The District and the Appraisal District. The District is affected by an economic incentive exemption under Tax Code 313.027. The Taxable Assessed Valuation figures presented here and elsewhere in this filing, reflect the District's taxable value for I&S tax purposes. The District's M&O taxable value is lower because of the economic incentives.

Table 3 – VALUATION AND FUNDED DEBT HISTORY

Fiscal Year Ended (Aug. 31)	I&S Taxable Assessed Valuation[1]	Change From Prior Year		Tax Supported Debt Outstanding at End of Fiscal Year	Ratio of Tax Supported Debt to Taxable Assessed Valuation
		Amount	Percent		
2022	$ 5,260,953,444	$ (98,681,765)	-1.84%	$ 339,655,000	6.46%
2023	5,722,287,423	461,333,979	8.77%	327,025,000	5.71%
2024	6,517,179,598	794,892,175	13.89%	307,155,000	4.71%
2025	7,107,787,149	590,607,551	9.06%	284,945,000	4.01%
2026	6,872,985,223 [2]	(234,801,926)	-3.30%	494,495,000	7.19%
2027	7,328,148,168 [2]	455,162,945	6.62%	480,480,000 [3]	6.56%

(1) Source: The District and the Appraisal District. The District is affected by an economic incentive exemption under Tax Code 313.027. The Taxable Assessed Valuation figures presented here and elsewhere in this filing, reflect the District's taxable value for I&S tax purposes. The District's M&O taxable value is lower because of the economic incentives.
(2) Values shown reflect the application of a State-mandated general homestead exemption of $140,000 and State-mandated homestead exemption of persons sixty-five (65) years of age or older and the disabled of $60,000.
(3) Projected.

Table 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended (Aug. 31)	Total Tax Rate	Distribution		Tax Levy[1]	Current Collections	Total Collections
		Maintenance & Operations	Interest & Sinking Fund			
2022	$1.585782	$1.051700	$0.534082	$80,218,485	97.24%	98.69%
2023	1.583379	1.007000	0.576379	86,540,901	97.35%	98.14%
2024	1.326300	0.826300	0.500000	80,833,731	96.26%	96.97%
2025	1.317639	0.817700	0.499939	80,538,475	97.30%	98.57%
2026	1.270416	0.770500	0.499916	79,350,976	97.42% [2]	98.13% [2]

(1) Excludes penalties and interest.
(2) Collections in process, as of June 22, 2026.

Table 5 - TEN LARGEST TAXPAYERS[1]

Name of Taxpayer	Nature of Property	2025/26 Taxable Assessed Valuation	% of Taxable Assessed Valuation
Motiva Enterprises LLC	Oil & Gas	$ 1,723,591,707	23.52%
The Premcor Refining Group Inc.	Oil & Gas Refinery	756,472,111	10.32%
Linde Inc.	Chemical Plant	178,983,994	2.44%
Enterprise Texas Pipeline LLC	Oil & Gas Pipeline	168,682,737	2.30%
Diamond Green Diesel LLC	Oil & Gas Refinery	141,848,872	1.94%
GT Logistics, LLC	Chemical Plant	134,087,802	1.83%
Entergy Texas Inc.	Electric Power Plant	125,874,388	1.72%
Air Products & Chemicals Inc.	Chemical Plant	125,108,098	1.71%
Chevron USA Inc.	Oil & Gas	121,470,375	1.66%
MPT of Port Arthur LLC	Hospital	46,744,752	0.64%
Total		**$ 3,522,864,836**	**48.07%**

Sources: The Municipal Advisory Council of Texas and the Appraisal District.
(1) Several of the District's largest taxpayers by assessed valuation are commercial enterprises largely dependent on the energy, oil and gas industries. Adverse developments in economic conditions in those industries could adversely impact tax values in the District, resulting in less tax revenue. Additionally, the District may be materially and adversely affected by litigation related to property tax valuation by its principal taxpayers. Top ten taxpayers for FY2026/27 are not yet available.

Table 6 - ESTIMATED DIRECT AND OVERLAPPING DEBT

Political Subdivision	Outstanding Tax Supported Debt (as of 7/31/2026)	Estimated % Overlapping	Amount Overlapping
Groves, City of	$ 33,410,000	18.34%	$ 6,127,394
Jefferson Co	7,100,000	19.24%	1,366,040
Jefferson Co DD # 7	9,725,000	43.67%	4,246,908
Pt Arthur, City of	200,230,000	69.82%	139,800,586
Pt of Pt Arthur Nav Dist	80,480,000	82.81%	66,645,488
Sabine Pass Port Auth	6,670,000	0.26%	17,342
Sabine-Neches Nav Dist	187,875,000	19.24%	36,147,150
Total Overlapping Debt	$ 525,490,000		$ 254,350,908
Port Arthur ISD Outstanding Debt	$ 494,495,000 (1)	100.0%	$ 494,495,000 (1)
Total Direct and Overlapping Debt			$ 748,845,908
Direct and Overlapping Debt to Taxable Assessed Valuation			10.22%
Direct and Overlapping Debt per Capita			$14,588

Sources: The Municipal Advisory Council of Texas.
(1) Includes the Bonds.

Table 7 - OUTSTANDING UNLIMITED TAX DEBT SERVICE

Fiscal Year Ending	Outstanding Debt Service		Plus: The Bonds		Total	Principal
8/31	Principal	Interest	Principal	Interest	Debt Service	Payoff
2026	$ 15,760,000	$ 17,848,562	$ -	$ -	$ 33,608,562	
2027	14,015,000	19,602,344	-	4,157,913	37,775,257	
2028	14,455,000	19,162,919	-	4,376,750	37,994,669	
2029	17,465,000	16,138,032	-	4,376,750	37,979,782	
2030	15,515,000	18,087,722	-	4,376,750	37,979,472	15.13%
2031	16,560,000	17,063,079	-	4,376,750	37,999,829	
2032	20,435,000	13,173,462	-	4,376,750	37,985,212	
2033	20,850,000	12,431,617	300,000	4,369,250	37,950,867	
2034	18,940,000	11,684,276	880,000	4,339,750	35,844,026	
2035	18,100,000	10,974,499	2,505,000	4,255,125	35,834,624	34.45%
2036	15,650,000	10,320,254	2,265,000	4,135,875	32,371,129	
2037	16,820,000	9,701,632	1,845,000	4,033,125	32,399,757	
2038	17,280,000	9,064,209	2,110,000	3,934,250	32,388,459	
2039	17,945,000	8,401,660	2,215,000	3,826,125	32,387,785	
2040	13,495,000	7,801,202	1,035,000	3,744,875	26,076,077	52.22%
2041	14,030,000	7,264,897	1,090,000	3,691,750	26,076,647	
2042	14,595,000	6,702,145	1,145,000	3,635,875	26,078,020	
2043	15,180,000	6,115,383	1,205,000	3,577,125	26,077,508	
2044	15,790,000	5,503,619	1,265,000	3,515,375	26,073,994	
2045	16,430,000	4,865,668	1,330,000	3,450,500	26,076,168	68.30%
2046	8,910,000	4,336,888	4,000,000	3,317,250	20,564,138	
2047	9,325,000	3,921,169	4,205,000	3,112,125	20,563,294	
2048	9,775,000	3,476,475	4,420,000	2,896,500	20,567,975	
2049	10,250,000	3,000,950	4,645,000	2,669,875	20,565,825	
2050	8,085,000	2,555,375	7,260,000	2,372,250	20,272,625	82.19%
2051	8,495,000	2,140,875	7,640,000	1,999,750	20,275,625	
2052	8,930,000	1,705,250	5,890,000	1,661,500	18,186,750	
2053	9,390,000	1,247,250	6,190,000	1,359,500	18,186,750	
2054	9,870,000	765,750	6,510,000	1,042,000	18,187,750	
2055	10,380,000	259,500	6,840,000	708,250	18,187,750	97.89%
2056	-	-	10,745,000	268,625	11,013,625	100.00%
TOTAL	**$ 422,720,000**	**$ 255,316,663**	**$ 87,535,000**	**$ 97,958,288**	**$ 863,529,950**	

Table 8 - INTEREST AND SINKING FUND BUDGET PROJECTION

Interest and Sinking Fund Balance, August 31, 2025		$ 6,359,826
Plus: 2025/26 Budgeted I&S Tax Collections	$ 33,626,607	
Plus: Other I&S Revenue (Local, State)	2,163,439	
Less: 2025/26 Tax Supported Debt Service Requirements	(33,608,562)	2,181,484
Projected Interest and Sinking Fund Balance, August 31, 2026		$ 8,541,310

Table 9 - AUTHORIZED BUT UNISSUED UNLIMITED TAX BONDS

Purpose	Date Authorized	Amount Authorized	Amount Issued[1]	Remaining Balance
School Building and Buses	3-May-25	$ 222,000,000	$ 162,000,000 [2]	$ 60,000,000
Stadium	3-May-25	78,000,000	78,000,000	-
Total		$ 300,000,000	$ 240,000,000	$ 60,000,000

[1] Amount issued includes both principal and premium deposited into the District's construction fund and charged against voted authorization.
[2] Includes $90,000,000 bond authorization for the Bonds.

The District has no other authorized but unissued bonds outstanding and does not currently have plans for another bond election in the next few years.

Table 10 - OTHER OBLIGATIONS

In addition to voter authorized ad valorem tax-supported debt, the District may also enter into other financial obligations, including maintenance tax notes payable from its collection of maintenance taxes, public property finance contractual obligations, delinquent tax notes, and leases for various purposes payable from State appropriations and surplus maintenance taxes. The District currently has no other such debt outstanding, including, specifically, capital leases.

Source: The District.

Table 11 - CURRENT INVESTMENTS

As of May 31, 2026 the District's investible funds were invested in the following categories:

Type of Security	Book Value	Market Value[(1)]	Portfolio %
Local Depository Bank	**$ 88,156,097**	**$ 88,156,097**	**34.26%**
Local Government Investment Pools:			
TexPool Investment Fund	$ 860,284	$ 860,284	0.33%
Lone Star Investment Pool - Govt Overnight	962,131	962,131	0.37%
Lone Star Investment Pool - Govt Overnight Plus	10,835,599	10,835,599	4.21%
Total Local Government Investment Pools	**$ 12,658,014**	**$ 12,658,014**	**4.92%**
Investment Securities:			
RBC Global Asset Management	156,250,751	156,527,693	60.82%
Total Investment Securities	**$ 156,250,751**	**$ 156,527,693**	**60.82%**
Portfolio Total	**$ 257,064,861**	**$ 257,341,804**	**100.00%**

[(1)] Does not include accrued income from investments.

Table 12 - GENERAL FUND BALANCE SHEET

	Fiscal Years Ended August 31,				
	2025	**2024**	**2023**	**2022**	**2021**
Assets					
Cash & cash equivalents	$ 73,627,679	$ 63,867,588	$ 67,555,798	$ 52,413,461	$ 28,200,311
Receivables:					
Property taxes - delinquent	5,727,958	6,375,030	5,615,573	5,187,708	4,817,398
Allowance for uncollectable taxes	(572,795)	(637,503)	(561,558)	(518,771)	(481,740)
Due from other governments	9,554,633	6,550,812	9,392,182	7,310,326	8,706,542
Due from other funds	1,741,309	7,246,344	5,862,470	3,115,685	6,671,028
Other receivables	4,140	9,479	10,460	-	-
Inventories	370,515	517,613	534,937	517,999	574,724
Prepaid items	-	10	188,998	-	-
Total Assets	**$ 90,453,439**	**$ 83,929,373**	**$ 88,598,860**	**$ 68,026,408**	**$ 48,488,263**
Liabilities					
Accounts payable	$ 1,266,915	$ 1,031,625	$ 1,370,587	$ 1,385,553	$ 1,241,683
Payroll deduction & withholdings	2,273,304	1,962,802	1,894,011	1,533,087	1,384,250
Accrued wages payable	5,232,463	5,025,610	4,917,770	4,483,188	4,603,885
Due to other funds	7,156	471,196	13,453	41,701	765,084
Due to student groups & others	14,849	14,507	79,420	79,420	79,795
Total Liabilities	**$ 8,794,687**	**$ 8,505,740**	**$ 8,275,241**	**$ 7,522,949**	**$ 8,074,697**
Deferred Inflows of Resources					
Unavailable revenue - property taxes	$ 4,859,566	$ 5,614,689	$ 4,843,991	$ 4,072,484	$ 3,861,878
Total Deferred Inflows	**$ 4,859,566**	**$ 5,614,689**	**$ 4,843,991**	**$ 4,072,484**	**$ 3,861,878**
Fund Balances					
Nonspendable					
Inventories	$ 370,515	$ 517,613	$ 534,937	$ 517,999	$ 574,724
Prepaids	-	10	188,998	-	-
Committed					
Construction	5,418,891	5,418,891	5,418,891	5,418,891	6,654,590
Claims and judgments	3,811,178	3,811,178	3,811,178	3,811,178	3,811,178
Other committed	2,000,001	2,000,001	2,000,001	2,000,001	764,302
Unassigned	65,198,601	58,061,251	63,525,623	44,682,906	24,746,894
Total Noncurrent Liabilities	**$ 76,799,186**	**$ 69,808,944**	**$ 75,479,628**	**$ 56,430,975**	**$ 36,551,688**
Total Liabilities & Fund Equity	**$ 90,453,439**	**$ 83,929,373**	**$ 88,598,860**	**$ 68,026,408**	**$ 48,488,263**

Source: District's audited financial statements.

Table 13 - GENERAL FUND COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES

	Fiscal Years Ended August 31,				
	2025	**2024**	**2023**	**2022**	**2021**
Operating Revenues					
Local, Intermediate & Out-of-State	$ 64,215,641	$ 60,927,750	$ 61,981,890	$ 57,575,638	$ 62,155,619
State Program Sources	40,846,501	29,283,014	38,935,073	42,787,865	22,049,282
Federal Sources	1,789,909	1,750,233	6,449,200	7,044,612	4,818,904
Total Operating Revenues	**$ 106,852,051**	**$ 91,960,997**	**$ 107,366,163**	**$ 107,408,115**	**$ 89,023,805**
Operating Expenses					
Instruction	$ 51,017,605	$ 50,049,671	$ 44,965,251	$ 45,527,780	$ 47,710,169
Instructional resources & media services	574,126	578,377	526,587	493,222	735,498
Curriculum & instructional staff dev	695,789	672,919	647,486	645,397	677,691
Instructional leadership	2,288,781	2,351,433	2,130,480	2,098,239	2,051,403
School leadership	6,690,856	6,349,398	5,700,579	6,002,059	5,746,570
Guidance, counseling & eval services	3,321,105	3,167,585	2,982,370	2,872,732	2,853,971
Social work services	541,066	527,947	218,683	594,555	524,122
Health services	1,289,887	1,378,554	1,096,308	1,099,855	1,065,512
Student transportation	2,216,773	2,244,990	2,054,736	1,924,564	1,762,025
Food services	-	-	-	-	9,723
Extracurricular activities	2,006,761	1,974,651	1,801,403	1,629,856	1,497,053
General administration	3,951,192	3,774,507	3,749,572	3,632,399	3,604,626
Facilities maintenance & operations	18,249,559	17,756,007	17,168,504	15,481,959	14,003,947
Security & monitoring services	2,848,163	2,223,779	1,894,193	1,633,384	1,548,542
Data processing services	2,449,378	2,479,069	2,140,728	1,850,558	1,780,194
Community services	234,842	238,950	322,780	264,494	263,675
Debt service	35,100	50,785	69,494	-	-
Facilities acquisition & construction	20,046	13,411	15,594	15,459	19,932
Contracted instructional services	583,179	685,008	261,654	118,562	308,871
Payments to JJEAP	77,250	77,250	77,250	108,000	108,000
Payments to appraisal district	788,441	837,103	838,640	844,371	758,575
Total Operating Expenses	**$ 99,879,899**	**$ 97,431,394**	**$ 88,662,292**	**$ 86,837,445**	**$ 87,030,099**
Excess (Deficiency) of Revenues Over Expenditures:	**6,972,152**	**(5,470,397)**	**18,703,871**	**20,570,670**	**1,993,706**
Other Resources	$ 18,090	$ -	$ 344,782	$ -	$ 395,927
Other (Uses)	-	(200,287)	-	(691,383)	(4,123,638)
Total Other Financing Sources(Uses)	18,090	(200,287)	344,782	(691,383)	(3,727,711)
Net Change in Fund Balance	**$ 6,990,242**	**$ (5,670,684)**	**$ 19,048,653**	**$ 19,879,287**	**$ (1,734,005)**
Fund Balance- Beginning of Year	$ 69,808,944	$ 75,479,628	$ 56,430,975	$ 36,551,688	$ 38,285,693
Prior Period Adjustment	-	-	-	-	-
Fund Balance - End of Year	**$ 76,799,186**	**$ 69,808,944**	**$ 75,479,628**	**$ 56,430,975**	**$ 36,551,688**

Source: District's audited financial statements.

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APPENDIX B

GENERAL INFORMATION REGARDING THE DISTRICT

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APPENDIX B

GENERAL INFORMATION REGARDING THE DISTRICT

DISTRICT POPULATION

Year	Estimated District Population	Year-to-Year Change
2016	52,414	(571)
2017	51,738	(676)
2018	51,126	(612)
2019	48,290	(2,836)
2020	52,332	4,042
2021	52,748	416
2022	52,941	193
2023	53,622	681
2024	53,572	(50)
2025	52,817	(755)
2026	51,334	(1,483)

Source: The Municipal Advisory Council of Texas.

DISTRICT FACILITIES

Types of Facilities	Number
High Schools (Grades 10 - 12)	1
Early College High School (Grades 9 - 12)	1
9th Grade Campus	1
Middle Schools (Grades 6-8)	2
Elementary Schools (Grades EE/PreK - 5th)	8
Special Learning Centers - (CATE, PACC, Wheatley Early	3
Childhood) Athletic Facilities and Other Facilities	3
Total Educational Facilities	19

Source: The District

DISTRICT STUDENT DATA (K-12)

Year Ended 8/31	Enrollment Per District						Per TEA Database		
	Elem	MS	HS	Total	Year-to-Year Change	% Change	ADA	Year-to-Year Change	% ADA to Enrollment
2016	5,288	1,581	2,103	8,972	(73)	-0.8%	7,932.867	(86)	88.4%
2017	5,139	1,611	2,148	8,898	(74)	-0.8%	7,830.604	(102)	88.0%
2018	4,701	1,539	2,041	8,281	(617)	-6.9%	7,737.938	(93)	93.4%
2019	4,752	1,608	1,959	8,319	38	0.5%	7,308.661	(429)	87.9%
2020	4,679	1,675	1,964	8,318	(1)	0.0%	6,921.291	(387)	83.2%
2021	4,375	1,645	1,937	7,957	(361)	-4.3%	6,976.250	55	87.7%
2022	4,373	1,591	2,026	7,990	33	0.4%	7,001.796	26	87.6%
2023	4,529	1,566	2,104	8,199	209	2.6%	6,874.223	(128)	83.8%
2024	4,322	1,559	2,107	7,988	(211)	-2.6%	7,091.900	218	88.8%
2025	4,534	1,473	2,148	8,155	167	2.1%	7,085.298	(7)	86.9%
2026	4,423	1,476	2,142	8,041	(114)	-1.4%	6,985.370	(100)	86.9%

Source: The District and TEA.

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APPENDIX C

EXCERPTS FROM THE ANNUAL FINANCIAL REPORT

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PORT ARTHUR
INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL AND
COMPLIANCE REPORT

For the Year Ended August 31, 2025

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PORT ARTHUR INDEPENDENT SCHOOL DISTRICT

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PAISD
Port Arthur
Independent School District

CERTIFICATE OF THE BOARD

Port Arthur Independent School District	Jefferson	123-907
Name of School District	County	Co. - Dist. No.

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and approved for the year ended August 31, 2025, at a meeting of the Board of Trustees of such school district on January 22, 2026.

President of the Board

Dianne Brown

Secretary of the Board


PAISD
Port Arthur
Independent School District

FINANCIAL SECTION


PAISD
Port Arthur
Independent School District

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Port Arthur Independent School District

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Port Arthur 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 District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The required Texas Education Agency (TEA) schedules, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the required TEA schedules, and 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 Schedule L-1 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2026 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Whitley Penn LLP

Houston, Texas
January 22, 2026


PAISD
Port Arthur
Independent School District

As management of the Port Arthur Independent School District (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended August 31, 2025.

Financial Highlights

The assets and deferred outflows exceeded the District's liabilities and deferred inflows at the close of the fiscal year by $21.2 million. Of this amount, $4.8 million was net investment in capital assets, which represents the carrying amount of capital assets that exceeds its related debt, $7.8 million was restricted for debt service and federal and state programs, and the remaining amount was unrestricted net position of $8.0 million.

- The District's total net position increased by $12.8 million from current year activities, primarily due to an increase in state aid and property tax assessment values.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of $245.3 million, an increase of $140.4 million in comparison with the prior year. The increase in governmental fund balances was primarily due to the increase in the Capital Projects Fund of $132.8 million, related to the issuance of new construction bonds.
- At the end of the current fiscal year, unassigned fund balance for the general fund was $65.2 million or 65 percent of total general fund expenditures.
- The District's total long-term debt increased by $123.9 million (36 percent) during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements 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 required supplementary information and other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

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

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

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

The *government-wide financial statements* of the District are principally supported by taxes and intergovernmental revenues *(governmental activities)*. The governmental activities of the District include Instruction, Instructional Resources and Media Services, Curriculum and Instructional Staff Development, Instructional Leadership, School Leadership, Guidance, Counseling, and Evaluation Services, Social Work Services, Health Services, Student Transportation, Food Services, Extracurricular Activities, General Administration, Facilities Maintenance and Operations, Security and Monitoring Services, Data Processing Services, Community Services, Interest on Long-term Debt, Bond Issuance Costs and Fees, Facilities Repairs and Maintenance, Payments to Juvenile Justice Alternative Education Programs and Payments to Appraisal District.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All 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 District'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 District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, special revenue fund, debt service fund, and the capital projects fund, all of which are considered to be major funds. The District adopts an annual appropriated budget for its general fund, debt service fund, and Child Nutrition Program.

Fiduciary Funds

The fiduciary fund is used to account for resources held for the benefit of students. The fiduciary fund is *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the District's own programs. The fund is custodial in nature and uses an economic resources measurement.

The District also has a private purpose trust fund used to account for donations for scholarship funds that are received by the District that are to be awarded to current and former students.

Notes to the Financial Statements

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

Required Supplementary 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. The required supplementary information relates to comparison of the original adopted budget, the final amended budget, and the actual amounts for the fiscal year. This is required supplementary information for the general fund and any major special revenue funds.

Other Information

The schedules and other supplementary information are presented immediately following the required supplementary information.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by $21.2 million at the close of the fiscal year caused primarily by the increase in total assets of $136.0 million which was offset by the increase in total liabilities of $125.6 million.

The District's net position is its investment in capital assets (e.g., land, buildings and improvements, furniture and equipment, construction in progress, and SBITA assets), less any outstanding related debt used to acquire those assets amounts to $4.8 million. 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.

Net position in the amount of $8.5 million is restricted for federal and state programs and debt service. The remaining balance of $8.0 million is unrestricted. The District's net position increased by $12.8 million during fiscal year 2025 due to current year activities.

Port Arthur Independent School District

	Governmental Activities	
	2025	**2024**
Current and other assets	$ 265,551,795	$ 127,956,779
Capital and non current assets	279,272,770	280,952,796
Total Assets	544,824,565	408,909,575
Deferred Outflows of Resources		
Deferred charge on refunding	10,650,732	12,221,161
Deferred outflows relating to pension/OPEB activities	17,680,196	19,624,738
Total Deferred Outflows of Resources	28,330,928	31,845,899
Current liabilities	13,893,019	15,200,046
Long term liabilities	515,659,279	388,789,469
Total Liabilities	529,552,298	403,989,515
Deferred Inflows of Resources		
Deferred inflows relating to pension/OPEB activities	22,386,938	28,715,934
Total Deferred Inflows of Resources	22,386,938	28,715,934
Net Position		
Net investment in capital assets	4,772,416	(12,486)
Restricted	8,450,680	8,522,499
Unrestricted	7,993,161	(459,988)
Total Net Position	$ 21,216,257	$ 8,050,025

Governmental Activities

Governmental activities increased the District's net position by $12.8 million. Key elements of this are as follows:

Revenues are generated primarily from two sources, program revenues and general revenues. Grants and contributions ($20.0 million) represent 13 percent of total revenues and property taxes ($84.2 million) represent 54 percent of total revenues. State aid totaled $36.0 million or 23 percent of total revenues. The remaining $15.5 million or 10 percent is generated from charges for services, investment earnings, and miscellaneous revenues, including payments in lieu of taxes.

The primary functional expense of the District is instruction ($65.8 million), which represents 46 percent of total expenses. Facilities maintenance and operations ($21.0 million) represent 15 percent of total expenses. Interest on long-term debt ($8.4 million) represent 6 percent of total expenses. The remaining individual functional categories of expenses are each less than 5 percent of total expenses. Revenues from property taxes increased by $3.5 million or 4 percent due to increased property tax assessment values. In addition, state aid increased by $11.2 million.

Port Arthur Independent School District's Changes in Net Position

	Governmental Activities	
	2025	2024
Program Revenues		
Charges for services	$ 1,658,035	$ 1,604,872
Operating grants	20,048,677	28,734,800
General Revenues		
Property taxes	84,179,554	80,710,295
State aid	36,020,008	24,819,310
Grants and contributions not restricted	1,173	-
Investment earnings	3,191,166	4,152,160
Other	10,681,097	10,735,617
Total Revenues	155,779,710	150,757,054
Expenses		
Instruction	65,766,259	69,086,655
Instructional resources and media services	750,575	806,862
Curriculum and staff development	1,564,397	1,934,313
Instructional leadership	2,955,547	3,278,313
School leadership	7,834,522	8,008,479
Guidance, counseling, and evaluation services	3,750,697	3,961,275
Social work services	818,846	996,443
Health services	1,800,395	2,051,251
Student transportation	2,720,531	2,881,719
Food services	7,744,895	7,944,599
Extracurricular activities	2,557,840	2,500,136
General administration	4,647,009	4,447,115
Facilities maintenance and operations	21,016,741	20,660,818
Security and monitoring services	3,546,359	2,827,801
Data processing services	2,845,717	3,070,859
Community services	465,678	498,169
Interest on long-term debt	8,391,245	730,602
Debt issuance costs and fees	2,073,469	8,503,466
Facilities planning	319,726	196,011
Contracted instructional services between schools	583,179	685,008
Payments to Juvenile Justice AEP	77,250	77,250
Payments to appraisal district	788,441	837,103
Total Expenses	143,019,318	145,984,247
Increase (Decrease) in Net Position	12,760,392	4,772,807
Beginning Net Position, as Previously Reported	8,050,025	3,277,218
Restatement for implementation of GASB 101	405,840	-
Beginning Net Position, as Restated	8,455,865	3,277,218
Ending Net Position	$ 21,216,257	$ 8,050,025

Financial Analysis of the Government's Funds

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

Governmental Funds

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of $245.3 million, an increase of $140.4 million in comparison with the prior year. The increase in ending governmental fund balances is primarily due to an increase of $7.0 million and $132.8 million in the General Fund and Capital Projects Fund, respectively.

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was $65.2 million, while total fund balance was $76.8 million. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 65 percent of total general fund expenditures, while total fund balance represents 77 percent of that same amount.

The Debt Service Fund has a total fund balance of $6.4 million, all of which is restricted for the payment of debt service. The increase in the debt service fund balance during the current year of $1.2 million was attributable to property tax collections exceeding the principal and interest payments.

The Special Revenue Fund has a total fund balance of $766.4 thousand, of which $631.9 thousand is restricted as federal and state grant funds, and $134.6 thousand is committed for other reasons. The decrease in the special revenue fund balance during the current year of $0.5 million was mainly attributable to increased expenditures related to child nutrition.

The Capital Projects Fund has a total fund balance of $161.3 million, all of which is restricted for authorized construction and technology projects/enhancements. The net increase in fund balance of $132.8 million during the current year was primarily due to bonds issued for construction purposes.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget as considered necessary. Actual expenditures were $2.9 million below the final budget amendments. The most significant positive variance was in instruction, which totaled $1.2 million.

Actual revenues were approximately $4.9 million above the final budgeted amounts. This was primarily attributable to an increase in state aid revenue.

Other financing sources (uses) were approximately $18.0 thousand above the final budgeted amounts. This was primarily attributable to the sale of real and personal property.

The review of the final amended budget versus actual for the general fund reflected a positive budget variance in the amount of $7.8 million. The District budgeted for a $0.8 million decrease in fund balance, but the actual fund balance increased by $7.0 million.

Capital Assets and Long-term Liabilities

Capital Assets

The District's investment in capital assets for its governmental type activities as of August 31, 2025, amounts to $279.3 million (net of accumulated depreciation/amortization). This investment in capital assets includes land, buildings and improvements, furniture and equipment, SBITA assets and construction in progress. Major capital asset events during the current fiscal year included the following:

	Balance September 1, 2024	Additions	(Retirements)	Transfers	Balance August 31, 2025
Capital Assets, Not Being Depreciated/Amortized					
Land	$ 6,723,608	$ -	$ -	$ -	$ 6,723,608
Construction in progress	22,568,728	13,938,144	-	(32,723,877)	3,782,995
Total Capital Assets, Not Being Depreciated/Amortized	29,292,336	13,938,144	-	(32,723,877)	10,506,603
Capital Assets, Being Depreciated/Amortized					
Buildings and improvements	455,988,101	-	-	32,723,877	488,711,978
Furniture and equipment	53,205,344	2,886,325	(208,031)	-	55,883,638
SBITA assets	217,012	-	-	-	217,012
Total Capital Assets, Being Depreciated/Amortized	509,410,457	2,886,325	(208,031)	32,723,877	544,812,628
Less Accumulated Depreciation/Amortization for:					
Buildings and improvements	(213,389,085)	(15,973,152)	-	-	(229,362,237)
Furniture and Equipment	(44,264,091)	(2,479,230)	208,031	-	(46,535,290)
SBITA assets	(96,821)	(52,113)	-	-	(148,934)
Total Accumulated Depreciation/Amortization	(257,749,997)	(18,504,495)	208,031	-	(276,046,461)
Governmental Capital Assets	$ 280,952,796	$ (1,680,026)	$ -	$ -	$ 279,272,770

Additional information on the District's capital assets can be found in Note 4 of the notes to the financial statements.

Long-term Liabilities

At the end of the current fiscal year, the District had $422.7 million in bonded debt outstanding, or $123.9 million more than the previous year. Upon approval by the State of Texas, the District's bonds are sold with a "AAA" rating and are guaranteed through Permanent School Fund. The underlying rating of the bonds from Fitch Ratings is "A+" and from Moody's Investors Service is "Aaa" for general obligation debt. Changes to long-term debt, for the year ended August 31, 2025, are as follows:

	Balance September 1, 2024	Additions	Retirements	Balance August 31, 2024	Due Within One Year
General obligation bonds	$ 298,990,000	$ 148,130,000	$ (24,400,000)	$ 422,720,000	$ 15,760,000
Bond issuance premiums/discounts	22,641,920	3,347,451	(2,277,647)	23,711,724	-
Accrued compensated absences	2,563,815		(164,052)	2,399,763	2,656,024
Accreted interest on premium compound interest bonds	15,346,431	279,756	(1,005,000)	14,621,187	-
SBITA liability	94,883	-	(40,152)	54,731	41,160
Other long-term liability	79,420	-	-	79,420	-
	$ 339,716,469	$ 151,757,207	$ (27,886,851)	$ 463,586,825	$ 18,457,184

Additional information on the District's long-term liabilities can be found in Note 6 of the notes to the financial statements.

Economic Factors and Next Year's Budgets and Tax Rates

The 2025-2026 school year will undoubtedly present challenges and changes for the Port Arthur Independent School District. With each new challenge comes the opportunity to advance toward our goals of enhanced achievement and operational effectiveness. We welcome these opportunities alongside the collaboration of the entire community, as we successfully prepare our students for the future. Public education is a continuous responsibility that holds the potential to illuminate the paths for thousands of young people. This commitment is the dedication of every PAISD employee, who gives their all to this important task. Together, we embark on this worthwhile journey, fully committed to the PAISD community.

We are grateful to experience a stable student enrollment, and we will maintain our efforts to work with parents to ensure all students return to our classrooms, supporting them in their pursuit of success. We recognize the continued ongoing nationwide teacher shortage and are committed to creating pathways to develop our own educators. Initiatives are in place to ensure that students receive excellent instruction from highly qualified teachers. Our investment in technology will further empower both teachers and students, fostering a collaborative and effective learning environment.

Safety and security remain top priorities for our district. The district's police force is strong where safety for all staff and students is non-negotiable. Additionally, we will continue to promote curriculum initiatives that support our vision for excellence. The dedication and creativity of our staff over the years have revived an urgency within our community and our student body, proving that we can achieve more when provided with the right tools, instruction, and environment for learning. Staff will receive ongoing training and support aimed at improving student performance and strengthening the education profession.

For 2025-2026, the maintenance and operations (M&O) tax rate is $0.770500. The Interest and Sinking fund (I&S) rate is $0.499916. This year's budget includes a comprehensive compensation plan with a starting teacher salary of $55,500 per year while also adjusting salaries for years of service and changes in pay grades. It is hoped this will assist with employee retention and recruitment. In an environment where millions of Americans are struggling, we take pride that this budget enables the reservation of jobs that are vital to our community. This year's budget includes a total of more than 1,400 full time employees and contractors.

Projected revenues for the 2025-2026 General Fund are $104,221,637. Revenues for the General Fund are generated from the following primary resources:

- Local Funding - $59,980,666
- State Funding - $41,740,971
- Federal Funding - $2,500,000

The 2025-2026 state revenue projections are based on an estimated average daily attendance (ADA) of 7,016 students.

In addition to those funds shown above, the district also records recognition for the state's contribution in the amount of 8.25% for teacher retirement on behalf of all TRS employees in the district plus an additional 1.25% for TRS Care totaling to 9.50%.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District's Business Office, Port Arthur Independent School District, P. O. Box 1388. Port Arthur, Texas 77641-1388.


PAISD
Port Arthur
Independent School District

BASIC FINANCIAL STATEMENTS


PAISD
Port Arthur
Independent School District

PORT ARTHUR INDEPENDENT SCHOOL DISTRICT

Exhibit A-1

STATEMENT OF NET POSITION

August 31, 2025

Data Control Codes		Governmental Activities
	Assets	
1110	Cash and cash equivalents	$ 93,326,940
1120	Investments	150,014,182
1225	Property taxes receivables, net	7,694,273
1240	Due from other governments	13,612,619
1250	Accrued interest	76,814
1290	Other receivables, net	4,140
1310	Inventories	822,827
	Capital assets not subject to depreciation/amortization:	
1510	Land	6,723,608
1580	Construction in progress	3,782,995
	Capital assets net of depreciation/amortization:	
1520	Buildings and improvements, net	259,349,741
1530	Furniture and equipment, net	9,348,348
1550	Right-to-use SBITA assets, net	68,078
1000	**Total Assets**	544,824,565
	Deferred Outflows of Resources	
	Deferred charge on refunding	10,650,732
	Deferred outflows - Pension	9,521,497
	Deferred outflows - OPEB	8,158,699
1700	**Total Deferred Outflows of Resources**	28,330,928
	Liabilities	
2110	Accounts payable	4,641,828
2140	Interest payable	830,333
2150	Payroll deductions and withholdings	2,273,304
2160	Accrued wages payable	5,807,341
2177	Due to fiduciary funds	14,849
2190	Due to student groups and others	300
2200	Accrued expenses	325,064
	Noncurrent Liabilities:	
2501	Due within one year	18,457,184
2502	Due in more than one year	445,129,641
2540	Net pension liability	30,695,479
2545	Net other post-employment benefits (OPEB) liability	21,376,975
2000	**Total Liabilities**	529,552,298
	Deferred Inflows of Resources	
	Deferred inflows - Pension	696,626
	Deferred inflows - OPEB	21,690,312
2600	**Total Deferred Inflows of Resources**	22,386,938
	Net Position	
3200	Net investment in capital assets	4,772,416
	Restricted for:	
3820	Federal and state programs	631,852
3850	Debt service	7,818,828
3900	Unrestricted	7,993,161
3000	**Total Net Position**	$ 21,216,257

PORT ARTHUR INDEPENDENT SCHOOL DISTRICT

Exhibit B-1

STATEMENT OF ACTIVITIES

For the Year Ended August 31, 2025

Data Control Codes	Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
	Governmental Activities:				
11	Instruction	$ 65,766,259	$ 674,272	$ 7,997,390	$ (57,094,597)
12	Instructional resources and media services	750,575	12,537	140,895	(597,143)
13	Curriculum and staff development	1,564,397	15,614	756,357	(792,426)
21	Instructional leadership	2,955,547	22,756	474,299	(2,458,492)
23	School leadership	7,834,522	107,197	483,976	(7,243,349)
31	Guidance, counseling, and evaluation services	3,750,697	5,981	413,705	(3,331,011)
32	Social work services	818,846	44,177	262,986	(511,683)
33	Health services	1,800,395	30,253	790,774	(979,368)
34	Student transportation	2,720,531	63,142	263,225	(2,394,164)
35	Food service	7,744,895	336,372	6,381,794	(1,026,729)
36	Extracurricular activities	2,557,840	256,241	584	(2,301,015)
41	General administration	4,647,009	26,509	1,449,373	(3,171,127)
51	Facilities maintenance and operations	21,016,741	16,759	46,300	(20,953,682)
52	Security and monitoring services	3,546,359	-	353,165	(3,193,194)
53	Data processing services	2,845,717	22,066	-	(2,823,651)
61	Community services	465,678	24,159	231,402	(210,117)
72	Interest on long-term debt	8,391,245	-	-	(8,391,245)
73	Debt issuance costs and fees	2,073,469	-	-	(2,073,469)
81	Facilities planning	319,726	-	2,452	(317,274)
91	Contracted instructional services between schools	583,179	-	-	(583,179)
95	Payments to Juvenile Justice AEP	77,250	-	-	(77,250)
99	Payments to appraisal district	788,441	-	-	(788,441)
TG	**Total Governmental Activities**	$ 143,019,318	$ 1,658,035	$ 20,048,677	(121,312,606)

Data Control Codes		
	General Revenues:	
	Taxes:	
MT	Property taxes, levied for general purposes	49,545,455
DT	Property taxes, levied for debt service	34,634,099
SF	State-aid formula grants	36,020,008
GC	Grants and contributions not restricted	1,173
IE	Investment earnings	3,191,166
MI	Miscellaneous	10,681,097
TR	**Total General Revenues**	134,072,998
CN	Change in net position	12,760,392
NB	**Net Position - Beginning, as Previously Reported**	8,050,025
PA	Restatement for implementation of GASB 101	405,840
	Net Position - Beginning, as Restated	8,455,865
NE	**Net Position - Ending**	$ 21,216,257

PORT ARTHUR INDEPENDENT SCHOOL DISTRICT

Exhibit C-1

BALANCE SHEET - GOVERNMENTAL FUNDS

August 31, 2025

Data Control Codes		General Fund	Debt Service Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
	Assets					
1110	Cash and cash equivalents	$ 73,627,679	$ 6,115,829	$ (423,034)	$ 14,006,466	$ 93,326,940
1120	Investments	-	-	-	150,014,182	150,014,182
	Receivables:					
1220	Property taxes - delinquent	5,727,958	2,821,233	-	-	8,549,191
1230	Allowance for uncollectible taxes	(572,795)	(282,123)	-	-	(854,918)
1240	Due from other governments	9,554,633	-	4,057,986	-	13,612,619
1250	Accrued interest	-	-	-	76,814	76,814
1260	Due from other funds	1,741,309	-	8,108	842	1,750,259
1290	Other receivables	4,140	-	-	-	4,140
1310	Inventories	370,515	-	452,312	-	822,827
1000	**Total Assets**	$ 90,453,439	$ 8,654,939	$ 4,095,372	$ 164,098,304	$ 267,302,054
	Liabilities, Deferred Inflows of Resources, and Fund Balances					
	Liabilities					
2110	Accounts payable	$ 1,266,915	$ 5,778	$ 1,023,531	$ 2,425,024	$ 4,721,248
2150	Payroll deductions and withholdings	2,273,304	-	-	-	2,273,304
2160	Accrued wages payable	5,232,463	-	562,031	12,847	5,807,341
2170	Due to other funds	7,156	-	1,743,103	-	1,750,259
2190	Due to student groups and others	14,849	-	300	-	15,149
2200	Accrued expenditures	-	-	-	325,064	325,064
2000	**Total Liabilities**	8,794,687	5,778	3,328,965	2,762,935	14,892,365
	Deferred Inflows of Resources					
	Unavailable revenue - property taxes	4,859,566	2,289,335	-	-	7,148,901
2600	**Total Deferred Inflows of Resources**	4,859,566	2,289,335	-	-	7,148,901
	Fund Balances					
	Non-Spendable:					
3410	Inventories	370,515	-	-	-	370,515
	Restricted:					
3450	Federal/State grant funds	-	-	631,852	-	631,852
3470	Capital acquisitions and contractual obligations	-	-	-	161,335,369	161,335,369
3480	Debt service	-	6,359,826	-	-	6,359,826
	Committed:					
3510	Construction	5,418,891	-	-	-	5,418,891
3520	Claims and judgments	3,811,178	-	-	-	3,811,178
3545	Other committed	2,000,001	-	134,555	-	2,134,556
3600	Unassigned	65,198,601	-	-	-	65,198,601
3000	**Total Fund Balances**	76,799,186	6,359,826	766,407	161,335,369	245,260,788
4000						
	Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 90,453,439	$ 8,654,939	$ 4,095,372	$ 164,098,304	$ 267,302,054

PORT ARTHUR INDEPENDENT SCHOOL DISTRICT *Exhibit C-1R*

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO STATEMENT OF NET POSITION

August 31, 2025

Data Control Codes		
	Total Fund Balance, Governmental Funds	$ 245,260,788
	Amounts reported for governmental activities in the statement of net position are different because:	
1	Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets at historical cost, net of accumulated depreciation/amortization, where applicable	279,272,770
2	Property taxes receivable have been levied and are due this year, but are not available soon enough to pay for the current period's expenditures, these property taxes and related penalty and interest amounts (net of allowance for uncollectible accounts).	7,148,901
3	The deferred charge on refunding is not a current financial resource and is not reported on the fund financial statements	10,650,732
4	Deferred Outflows relating to pension activities	9,521,497
5	Deferred Outflows relating to OPEB activities	8,158,699
6	Interest payable on general obligation bonds are due within a year but are not included in the fund financial statements.	(830,333)
	Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
7	General obligation bonds	(422,720,000)
8	Accrued compensated absences	(2,399,763)
9	Premium/discount on issuance of bonds	(23,711,724)
10	Accreted interest on capital appreciation bonds	(14,621,187)
11	SBITA liability	(54,731)
12	Net Pension Liability	(30,695,479)
13	Net OPEB Liability	(21,376,975)
14	Deferred Inflows relating to pension activities	(696,626)
15	Deferred Inflows relating to OPEB activities	(21,690,312)
29	**Total Net Position - Governmental Activities**	$ 21,216,257

PORT ARTHUR INDEPENDENT SCHOOL DISTRICT

Exhibit C-2

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS

For the Year Ended August 31, 2025

Data Control Codes		General Fund	Debt Service Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
	Revenues					
5700	Local, intermediate, and out-of-state	$ 64,215,641	$ 35,733,347	$ 1,570,020	$ (599,598)	$ 100,919,410
5800	State program revenues	40,846,501	2,036,406	680,075	-	43,562,982
5900	Federal program revenues	1,789,909	-	16,732,328	-	18,522,237
5020	**Total Revenues**	106,852,051	37,769,753	18,982,423	(599,598)	163,004,629
	Expenditures					
	Current:					
0011	Instruction	51,017,605	-	8,254,231	-	59,271,836
0012	Instructional resources and media services	574,126	-	145,446	-	719,572
0013	Curriculum and instructional staff development	695,789	-	754,903	-	1,450,692
0021	Instructional leadership	2,288,781	-	462,400	-	2,751,181
0023	School leadership	6,690,856	-	517,253	-	7,208,109
0031	Guidance, counseling and evaluation services	3,321,105	-	348,889	-	3,669,994
0032	Social work services	541,066	-	284,923	-	825,989
0033	Health services	1,289,887	-	433,838	-	1,723,725
0034	Student transportation	2,216,773	-	305,099	1,900	2,523,772
0035	Food services	-	-	7,141,263	-	7,141,263
0036	Extracurricular activities	2,006,761	-	182,551	-	2,189,312
0041	General administration	3,951,192	-	30,513	36,894	4,018,599
0051	Facilities maintenance and operations	18,249,559	-	43,551	-	18,293,110
0052	Security and monitoring services	2,848,163	-	353,164	-	3,201,327
0053	Data processing services	2,449,378	-	25,399	-	2,474,777
0061	Community services	234,842	-	241,893	-	476,735
	Debt service:					
0071	Principal on long-term debt	33,804	14,045,000	6,349	-	14,085,153
0072	Interest on long-term debt	1,296	11,607,023	712	-	11,609,031
0073	Bond issuance costs and fees	-	10,965,199	-	1,463,270	12,428,469
	Capital outlay:					
0081	Facilities acquisition and construction	20,046	-	-	16,580,780	16,600,826
	Intergovernmental:					
0091	Contracted instructional services between public schools	583,179	-	-	-	583,179
0095	Payments to Juvenile Justice AEP	77,250	-	-	-	77,250
0099	Payments to appraisal district	788,441	-	-	-	788,441
6030	**Total Expenditures**	99,879,899	36,617,222	19,532,377	18,082,844	174,112,342
1100	Excess (deficiency) of revenues over expenditures	6,972,152	1,152,531	(549,954)	(18,682,442)	(11,107,713)
	Other Financing Sources (Uses)					
7911	Issuance of bonds	-	-	-	148,130,000	148,130,000
7912	Sale of real and personal property	18,090	-	-	-	18,090
7916	Premium on bonds issued	-	-	-	3,347,451	3,347,451
7080	**Total Other Financing Sources (Uses)**	18,090	-	-	151,477,451	151,495,541
1200	Net change in fund balance	6,990,242	1,152,531	(549,954)	132,795,009	140,387,828
0100	**Fund Balance - September 1 (Beginning)**	69,808,944	5,207,295	1,316,361	28,540,360	104,872,960
3000	**Fund Balance - August 31 (Ending)**	$ 76,799,186	$ 6,359,826	$ 766,407	$ 161,335,369	$ 245,260,788

PORT ARTHUR INDEPENDENT SCHOOL DISTRICT

Exhibit C-2R

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

For the Year Ended August 31, 2025

Data Control Codes		
	Net Change in Fund Balances - Total Governmental Funds (from C-2)	$ 140,387,828
	Amounts reported for governmental activities in the statement of activities (B-1) are different because:	
	Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation.	
1	Governmental funds capital outlay	16,824,469
2	Governmental activities depreciation/amortization expense	(18,504,496)
3	Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(1,227,642)
4	Change in net pension liability and related deferred outflows/inflows	(2,934,669)
5	Change in net OPEB liability and related deferred outflows/inflows	3,913,829
6	Repayment of bond principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net position.	24,400,000
7	Repayment of SBITA principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net position.	40,153
	Proceeds from issuance of long-term debt is reported as an other financing source in the governmental funds. In the government-wide financial statements, proceeds are treated as an increase in long-term liabilities and amounts paid to refunding agents are treated as a decrease in long-term liabilities	
7	Proceeds from issuance of bonds	(148,130,000)
8	Premium on issuance of regular bonds	(3,347,451)
	Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:	
8	Change in interest payable	(258,143)
9	Amortization of deferred loss on refunding	(1,570,429)
10	Amortization of premium/discount	2,277,647
11	Change in compensated absences	164,052
12	Accreted interest on capital appreciation bonds	725,244
	Change in Net Position of Governmental Activities (see B-1)	$ 12,760,392

PORT ARTHUR INDEPENDENT SCHOOL DISTRICT

Exhibit E-1

STATEMENT OF FIDUCIARY NET POSITION

August 31, 2025

	Private Purpose Trust Funds	Custodial Fund
Assets		
Cash and cash equivalents	$ 29,049	$ 271,552
Other receivables	-	15,229
Total Assets	29,049	286,781
Liabilities		
Accounts payable	-	13,976
Due to others	-	80
Total Liabilities	-	14,056
Net Position		
Held in trust for other purposes	$ 29,049	$ 272,725

PORT ARTHUR INDEPENDENT SCHOOL DISTRICT

Exhibit E-2

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Year Ended August 31, 2025

	Private Purpose Trust Funds	Custodial Funds
Additions		
Gifts and contributions	$ 6,400	$ -
Student activity additions	9,000	416,184
Total Additions	15,400	416,184
Deductions		
Scholarships awarded	6,351	-
Student activities deductions	-	347,178
Total Deductions	6,351	347,178
Change in net position	9,049	69,006
Net Position Beginning of Year	20,000	203,719
Net Position End of Year	$ 29,049	$ 272,725

Note 1 - Summary of Significant Accounting Policies

The Port Arthur Independent School District (the "District") is an independent public educational agency operating under applicable laws and regulations of the State of Texas. The District is autonomously governed by a seven-member Board of Trustees elected by the District's residents.

The District prepares its basic financial statements in conformity with Generally Accepted Accounting Principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in *Statement of Auditing Standards No. 69* of the American Institute of Certified Public Accountants. Additionally, the District complies with the requirements of the appropriate version of the Texas Education Agency (TEA) *Financial Accountability System Resource Guide* (FASRG) and the requirements of contracts and grants of agencies from which it receives funds.

The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities.

Reporting Entity

The District is considered an independent entity for financial reporting purposes and is considered a primary government. As required by generally accepted accounting principles, these general-purpose financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations or functions as part of the District's financial reporting entity. Based on these considerations, the District's general-purpose financial statements do not include any other entities. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the District's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the District is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the District's financial reporting entity status is that of a primary government are: that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include: considerations pertaining to organizations for which the primary government is financially accountable and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* normally are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to students or users who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues.*

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

Note 1 - Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

The fiduciary fund financial statements reflect the District's custodial fund, which accounts for student activities. The District also has a private purpose trust fund used to account for donations for scholarship funds that are received by the District that are to be awarded to current and former students. Both the private purpose trust and custodial funds are reported using the economic resources measurement focus and the accrual basis of accounting.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, including subscription-based technology arrangements (SBITA) liabilities, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Grant revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

- The *general fund* is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

- The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

- The *capital projects fund* is used to account for proceeds from sales of bonds and other revenues to be used for authorized construction and technology projects/enhancements.

- The *special revenue fund* is used to account for resources restricted to, or designated, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a special revenue fund. Generally, unused balances are returned to the grantor at the close of the specified project periods. With respect to the food service program, funds are rolled over from year to year for use in the program.

Additionally, the District reports the following fiduciary fund types:

- The *private-purpose trust fund* is used to account for donations for scholarship funds that are received by the District that are to be awarded to current and former students for post-secondary education purposes.

- The *custodial fund* is used to account for net position held by the District as a custodian for student organizations.

Note 1 - Summary of Significant Accounting Policies (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to students or users for goods, services, or privileges provided and 2) operating grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes and investment income.

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

Implementation of New Standards

GASB issued Statement No. 101, *Compensated Absences,* was issued in June 2022. The primary objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The requirements of this statement were implemented in 2025 and the impact is reflected in the financial statements.

GASB issued Statement No. 102, *Certain Risk Disclosures*, in December 2023. The primary objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. The requirements of this statement were implemented in fiscal year 2025 and the impact is reflected in the financial statements.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, investment pools, (TexPool and Lone Star), and money market funds.

The District reports all investments at fair value, except for investment pools. The District's investment pools are valued and reported at amortized cost, which approximates fair value.

The District categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District's local government investment pools are recorded at amortized costs as permitted by GASB Statement No. 79, *Certain Investment Pools and Pool Participants*.

Note 1 - Summary of Significant Accounting Policies (continued)

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Property tax receivables include unpaid property taxes at year-end and are shown net of an allowance for uncollectible taxes. Revenues from property taxes are recognized when levied to the extent they are available. The District considers property taxes as available when collected. However, not all outstanding property taxes are expected to be collected within one year of the date of the financial statements. Property values are determined by the Jefferson County Appraisal District as of January 1 of each year. Prior to September 1 of each year, the District must adopt its annual budget and as soon thereafter as practicable, shall adopt a tax rate thus creating the tax levy. Property taxes for the current calendar year are levied on approximately October 1 of each year and are payable by January 31 of the following year. Property tax receivables are recorded as of the date levied. Unpaid taxes become delinquent on February 1 and a tax lien on real property is created as of July 1 of each year.

Capital Assets

Capital assets, which include land, construction in progress, buildings and improvements, furniture and equipment, and SBITA assets are reported in the governmental column in the government-wide financial statements. The District's infrastructure includes parking lots and roads associated with various buildings. The cost of the infrastructure was initially capitalized with the building cost and is being depreciated over the same useful life as the building.

Capital assets, other than SBITAs are defined by the District as assets with an initial, individual cost that equals or exceeds $25,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed, except for SBITA assets. The measurement of SBITA assets is discussed in its respective section of this note. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. The following assets of the District are depreciated/amortized using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and Improvements	15-60
Furniture, fixtures and equipment	7-25
SBITA asset	>1 (subscription term)

Note 1 - Summary of Significant Accounting Policies (continued)

Subscription- Based Information Technology Arrangements (SBITAs)

The District is under contract for various SBITAs for the right to use subscription assets (software). The SBITAs are noncancellable, and the District recognizes a SBITA liability and an intangible right to use SBITA asset 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 the SBITA, the District initially 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 made. The SBITA asset is initially measured as the sum of (1) the initial SBITA liability amount, (2) payments made to the SBITA vendor before commencement of the subscription term, and (3) capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. Key estimates and judgments related to SBITA 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 the interest rate charged by the SBITA vendor as the discount rate. When the interest rate charged by the SBITA vendor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for SBITAs.
- The SBITA term includes the noncancellable period of the SBITA and payments included in the measurement of the SBITA liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require a remeasurement of its SBITA and will remeasure the SBITA asset and liability if certain changes occur that are expected to significantly affect the amount of the SBITA liability. SBITA assets are reported with other capital assets and SBITA liabilities are reported with long-term debt on the statement of net position.

Compensated Absences

A liability is recognized for compensated absences when leave time meets the following criteria:

1. It has been earned for services previously rendered by employees.
2. It accumulates and is allowed to be carried over to subsequent years.
3. It is more likely than not (MLTN) to be used as time off or settled (e.g., paid in cash to the employee or deposited into a flexible spending account) during or upon separation from employment.

Based on these criteria, the following types of leave meet the recognition requirements under GASB Statement No. 101:

- State Personal Leave
- State Sick Leave (Pre-1995)
- Local Sick Leave
- Vacation Leave

Note 1 - Summary of Significant Accounting Policies (continued)

Compensated Absences (continued)

Leave Policies Effective During the Current Fiscal Year

- State Personal Leave: Employees earn five (5) days per year. Leave accumulates without limit and is transferrable to other districts. This leave is eligible for payment at retirement as long as the employee has been with the District at least three years and is eligible for retirement.
- State Sick Leave: No longer earned, but retained if accumulated prior to 1995. It is transferrable between districts. This leave is eligible for payment at retirement as long as the employee has been with the District at least three years and is eligible for retirement.
- Local leave – Employees earn five days of local leave each year after their first year of service. The leave accumulated with a maximum of 120 days. is eligible for payment at retirement as long as the employee has been with the District at least three years and is eligible for retirement.
- Vacation leave – Twelve-month employees earn two to five weeks of vacation each year based on their length of service. Upon separation of employment, employees shall be paid for all accumulated unused vacation time.

Long-term Obligations

The District's long-term obligations consist of bonded indebtedness, property tax lawsuit settlements, SBITA liabilities, and compensated absences. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities column on the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the bonds outstanding method, which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year incurred.

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

The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund. The current requirements for workers' compensation and compensated absences are accounted for in the general fund.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditure) until then. The District has three items that qualify for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position, deferred amounts related to pension, and deferred amounts related to OPEB. The deferred charge on refunding resulted from the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred amounts related to pension and OPEB relate differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension and OPEB related changes.

Note 1 - Summary of Significant Accounting Policies (continued)

Deferred Outflows/Inflows of Resources (continued)

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in this category. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In the government-wide financial statements the District reports deferred amounts related to pension and deferred amounts related to OPEB.

Pensions and Other Post-Employment Benefits (OPEB)

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

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.

Fund Balance

The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance - amounts that are not in spendable form or are required to be maintained intact. As such, the inventory and prepaid items have been properly classified in the Governmental Funds Balance Sheet (Exhibit C-1). If there is a constraint on how the eventual proceeds can be spent, the fund balance is classified to reflect that constraint (restricted, committed, or assigned), rather than included as part of nonspendable fund balance.
- Restricted fund balance - amounts that can be spent only for specific purposes because of local, state, or federal laws, or externally imposed conditions by grantors or creditors. The fund balances for the Child Nutrition program, other grant programs, debt service, and capital projects are classified as restricted.
- Committed fund balance - amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e. the Board of Trustees). To be reported as committed, amounts cannot be used for any other purposes unless the District takes the same highest level of action to remove or change the constraint. The general fund has committed funds consisting of $5 million for capital replacement expenditures and/or major maintenance expenditures. In addition, the general fund has committed $4 million for claims and judgments and $2 million for other operational expenditures such as Management Information System operational expenditures incurred and for extraordinary and/or other emergency events. The special revenue fund has committed the $135K fund balance of the campus activity fund for use at the campuses per board policy.
- Assigned fund balance - amounts the District intends to use for a specific purpose. Intent can be expressed by the District or by an official or body to which the Board of Trustees delegates the authority.
- Unassigned fund balance - amounts that are available for any purpose. Positive numbers are reported only in the general fund.

Note 1 - Summary of Significant Accounting Policies (continued)

Fund Balance (continued)

The District establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. A fund balance commitment is further indicated the budget document as a commitment of the fund. Per Annual Operating Budget Policy (CE Local), assigned fund balance amounts are established by Assistant Superintendent for Business and Finance.

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

Net Position

Net Position on the Statement of Net Position includes the following:

- Net investment in capital assets - this component of net position consists of capital assets, net accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt will be included in this component of net position.
- Restricted for federal and state programs - this component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets, which are restricted by federal and state granting agencies.
- Restricted for Debt Service - this component of net position consists of restricted assets reduced by liabilities related to those assets. The assets arise from bond issuances which have constraints placed on them by the bond covenants for the purpose of future debt service payments.
- Unrestricted net position - this component of net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

Data Control Codes

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

In accordance with the Resource Guide, the District has adopted and installed an accounting system which meets at least the minimum requirements prescribed by the Texas State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure presented in the Resource Guide. Mandatory codes are recorded in the order provided in the Resource Guide.

Use of Estimates

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

Note 2 - Deposits and Investments

Bank Deposits

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas School Depository Act. The depository bank pledges securities which comply with state law and these securities are held for safekeeping and trust with the District's and the depository banks' agent bank. The pledged securities are approved by the Texas Education Agency and shall be 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. At August 31, 2025, the carrying amount of the District's cash deposits was $69 million and the bank balance was $73 million. All funds not in sweep accounts were entirely covered by the FDIC or by pledged collateral as of August 31, 2025.

Local Government Investment Pools and Money Market Funds (Cash Equivalents)

For the year ended August 31, 2025, the District invested in the State of Texas TexPool and Texas Association of School Boards Lone Star Investment Pool. TexPool is duly chartered and overseen by the State Comptroller's Office. The State Street Bank is the custodial bank. The portfolio consists of U.S. T-Bills, T-Notes, collateralized repurchase and reverse repurchase agreements, and no-load money market mutual funds regulated by the Securities and Exchange Commission and rated AAA or equivalent by at least one nationally recognized rating service.

Lone Star Investment Pool is duly chartered by the State of Texas Interlocal Cooperation Act, is administered by First Public, LLC, and managed by Standish Mellon and American Beacon Advisors. The Bank of New York is the custodial bank. Lone Star Investment Pool is restricted to invest in obligations of the United States or its agencies and instrumentalities; other obligations insured by the United States; fully collateralized repurchase agreements having a defined termination date, secured by obligations described previously; and SEC-registered no-load money market mutual funds, the assets which consist exclusively of the obligations described above.

Lone Star Corporate Overnight Plus Fund and Lone Star Government Overnight Fund, mutual funds, are duly chartered by the State of Texas Interlocal Cooperation Act and is administered by First Public, LLC, and managed by Bank of New York Mellon and American Beacon Advisors. The Bank of New York is the custodial bank. These mutual funds may invest in all securities authorized under the Investment Act. However, it is the Board's policy not to invest its assets in any one nongovernmental issuer in an amount that exceeds 5 percent of the total fund assets cost. The District also invests in money market mutual funds which are liquid and are therefore classified as cash equivalents. The District reports its local government investment pools at amortized cost as permitted by GASB Statement No. 79 *Certain External Investment Pools and Pool Participants*. In addition, the investment pools do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. The pools do not impose any liquidity fees or redemption gates.

Note 2 - Deposits and Investments (continued)

Investment Securities

The District's investment policy is in accordance with the Public Funds Investment Act, the Public Funds Collateral Act, and federal and state laws. The District further limits its investments to obligations of the U.S. Treasury or the State of Texas, certain U.S. Agencies, certificates of deposit, collateralized mortgage obligations, no-load money market mutual funds, certain municipal securities, repurchase agreements, or investment pools. At year-end, the District's cash and investments balances and their respective weighted average maturity, fair value methodology, and credit quality rating were as follows:

	Amount	Percentage of Portfolio	Fair Value Methodology	Weighted Average Maturity (Days)	Credit Quality Rating
Governmental Activities					
Cash and Cash Equivalents:					
Demand deposits	$ 68,364,829	28.1%	N/A	N/A	N/A
Local Government Investment Pools:					
TexPool	835,967	0.3%	Amortized Cost	42	AAAm
Lone Star Government Overnight Fund	934,112	0.4%	Amortized Cost	26	AAAm
Lone Star Corporate Overnight Plus Fund	10,517,610	4.3%	Amortized Cost	52	AAAm
Total Government Investment Pools	12,287,689	5.0%			
Total Cash and Cash Equivalents	80,652,518	33.1%			
Investment Securities:					
Federal National Mortgage Assoc.	56,033	0.0%	Level 2	8551	Aaa/AA+
Federal Home Loan Mortgage Corp.	491,247	0.2%	Level 2	25	Aaa/AA+
Federal Home Loan Bank	997,780	0.4%	Level 2	17	Aaa/AA+
US Treasury Securities	160,540,958	66.0%	Level 2	30	Aaa
Municipal Bonds	602,586	0.2%	Level 2	151	AA- to AAA
Total Investment Securities	162,688,604	66.9%			
Total Cash and Investments	$ 243,341,122	100.0%			

The District also held $300,601 of bank deposits in the fiduciary funds.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The District monitors interest rate risk utilizing weighted average maturity analysis. In accordance with its investment policy, the District reduces its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio as a whole to no more than 360 days, with the exception of bond proceeds that are matched to a specific cash flow; diversification; and by holding securities to maturity.

Note 2 - Deposits and Investments (continued)

Credit Risk

State law and the District's investment policy limits investments in all categories to top ratings issued by nationally recognized statistical rating organizations.

Custodial credit risk for investments is the risk that, in event of the failure of the counterparty (e.g. broker dealer) to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in the possession of another party. The District's policy requires that a third-party bank trust department hold all securities owned by the District.

The District generally holds all U.S. government securities to maturity. The District did not purchase any derivative investment products during the current year nor participate in any reverse repurchase agreements or security lending agreements during the fiscal year 2025.

Concentration of Credit Risk

The District's investment policy requires the investment portfolio to be diversified in terms of investment instruments, maturity scheduling, and financial institutions in order to reduce the risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity, or specific issuer.

Note 3 - Receivables

Receivables as of year-end for the District's individual major and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Debt Service Fund	Special Revenue Fund	Capital Projects Fund	Total
Property Taxes	$ 5,727,958	$ 2,821,233	$ -	$ -	$ 8,549,191
Due from other governments	9,554,633	-	4,057,986	-	13,612,619
Accrued interest	-	-	-	76,814	76,814
Other receivables	4,140	-	-	-	4,140
Gross Receivables	15,286,731	2,821,233	4,057,986	76,814	22,242,764
Less allowance for doubtful accounts	(572,795)	(282,123)	-	-	(854,918)
Net Total Receivables	$ 14,713,936	$ 2,539,110	$ 4,057,986	$ 76,814	$ 21,387,846

Note 4 - Capital Assets

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

	Balance September 1, 2024	Additions	(Retirements)	Transfers	Balance August 31, 2025
Capital Assets, Not Being Depreciated/Amortized					
Land	$ 6,723,608	$ -	$ -	$ -	$ 6,723,608
Construction in progress	22,568,728	13,938,144	-	(32,723,877)	3,782,995
Total Capital Assets, Not Being Depreciated/Amortized	29,292,336	13,938,144	-	(32,723,877)	10,506,603
Capital Assets, Being Depreciated/Amortized					
Buildings and improvements	455,988,101	-	-	32,723,877	488,711,978
Furniture and equipment	53,205,344	2,886,325	(208,031)	-	55,883,638
SBITA assets	217,012	-	-	-	217,012
Total Capital Assets, Being Depreciated/Amortized	509,410,457	2,886,325	(208,031)	32,723,877	544,812,628
Less Accumulated Depreciation/Amortization for:					
Buildings and improvements	(213,389,085)	(15,973,152)	-	-	(229,362,237)
Furniture and Equipment	(44,264,091)	(2,479,230)	208,031	-	(46,535,290)
SBITA assets	(96,821)	(52,113)	-	-	(148,934)
Total Accumulated Depreciation/Amortization	(257,749,997)	(18,504,495)	208,031	-	(276,046,461)
Governmental Capital Assets	$ 280,952,796	$ (1,680,026)	$ -	$ -	$ 279,272,770

Less associated bonds and premium	(446,431,724)
Less SBITA payable	(54,731)
Plus unspent bond proceeds	161,335,369
Plus deferred charge on refunding	10,650,732
Net Investment in Capital Assets	$ 4,772,416

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

	Function	Depreciation/ Amortization Expense
11	Instruction	$ 9,494,155
12	Instructional resources and media services	107,367
13	Curriculum and staff development	214,760
21	Instructional leadership	410,836
23	School leadership	1,067,384
31	Guidance, counseling and evaluation services	544,626
32	Social work services	122,963
33	Health services	255,476
34	Student transportation	371,152
35	Food Services	1,051,680
36	Extracurricular activities	374,833
41	General administration	640,759
51	Facilities maintenance and operations	2,929,361
52	Security and monitoring services	476,453
53	Data processing services	374,083
61	Community services	68,608
		$ 18,504,496

Note 4 - Capital Assets (continued)

Construction Commitments

Project	Approved Construction Budget	Construction in Progress	Remaining Commitment
School Buildings	$ 9,607,516	$ 3,103,247	$ 6,504,269
Other-admin	2,069,862	679,748	1,390,114
	$ 11,677,378	$ 3,782,995	$ 7,894,383

Note 5 - Interfund Receivables, Payables, and Transfers

Interfund balances consist of short-term lending/borrowing arrangements that result primarily from payroll, warehouse ordering and other regularly occurring charges that are paid by the general fund and then charged back to the appropriate other fund. Activity between the debt service fund and the capital projects fund results primarily from the capital projects fund interest earnings that are used for debt service payments. Additionally, some lending/borrowing may occur between two or more nonmajor governmental funds.

The composition of interfund balances as of August 31, 2025, is as follows:

	Interfund Receivable	Interfund Payable
General Fund	$ 1,741,309	$ 22,005
Special Revenue Fund	8,108	1,743,403
Capital Projects Fund	842	-
Fiduciary Funds	15,229	80
	$ 1,765,488	$ 1,765,488

Note 6 - Long-term Liabilities

Changes in Long-term Liabilities

Long-term liability activity for the year ended August 31, 2025, was as follows:

	Balance September 1, 2024	Additions	Retirements	Balance August 31, 2024	Due Within One Year
General obligation bonds	$ 298,990,000	$ 148,130,000	$ (24,400,000)	$ 422,720,000	$ 15,760,000
Bond issuance premiums/discounts	22,641,920	3,347,451	(2,277,647)	23,711,724	-
Accrued compensated absences	2,563,815		(164,052)	2,399,763	2,656,024
Accreted interest on premium compound interest bonds	15,346,431	279,756	(1,005,000)	14,621,187	-
SBITA liability	94,883	-	(40,152)	54,731	41,160
Other long-term liability	79,420	-	-	79,420	-
	$ 339,716,469	$ 151,757,207	$ (27,886,851)	$ 463,586,825	$ 18,457,184

Note – The compensated absences beginning balance was restated by $405,840. See Note 15 – Beginning Net Position Restatement

Note 6 - Long-term Liabilities (continued)

Changes in Long-term Liabilities (continued)

As of August 31, 2025 the District has a long-term liability to the Sedgwick related to a medical cost projection of $79,420.

The District issues general obligation bonds to provide funds for the construction and equipment of school facilities, buses, and to refund general obligation bonds. General obligation bonds are direct obligations and pledge the full faith and credit of the District. Bonded long-term debt at August 31, 2025, is comprised of the following individual issues:

Issue	Original Issuance Amount	Interest Rate (%)	Maturity Date	Debt Outstanding
Unlimited Tax School Building Bonds, Series 2015A	$ 89,855,000	1.75% to 5.00%	2045	$ 5,040,000
Unlimited Tax Refunding Bonds, Series 2015B	34,115,000	2.00% to 5.00%	2034	12,815,000
Unlimited Tax School Building Bonds, Series 2016A	41,460,000	2.00% to 5.00%	2045	36,350,000
Unlimited Tax Refunding Bonds, Series 2016B	39,000,000	2.00% to 5.00%	2034	29,105,000
Unlimited Tax Refunding Bonds, Series 2016C	14,050,000	2.00% to 5.00%	2031	10,475,000
Unlimited Tax Refunding Bonds, Series 2016D	27,350,000	4.00% to 5.00%	2039	22,935,000
Unlimited Tax Refunding Bonds, Series 2016E	55,840,000	3.00% to 5.00%	2038	22,200,000
Unlimited Tax School Building Bonds, Series 2019A	43,190,000	3.00% to 5.00%	2049	40,060,000
Unlimited Tax Refunding Bonds, Series 2019B	21,755,000	3.56% to 5.00%	2032	19,805,000
Unlimited Tax Refunding Bonds, Taxable Series 2020A	68,795,000	1.01% to 2.70%	2045	65,745,000
Unlimited Tax Refunding Bonds, Taxable Series 2021	13,320,000	3.00% to 5.00%	2035	10,060,000
Unlimited Tax School Building Bonds, Series 2025	148,130,000	2.40% to 5.00%	2055	148,130,000
				$ 422,720,000

Annual debt service requirements to maturity for all bonded long-term debt outstanding as of August 31, 2025 as follows:

Year Ending August 31,	Principal	Interest	Totals
2026	$ 15,760,000	$ 17,848,562	$ 33,608,562
2027	14,015,000	19,602,345	33,617,345
2028	14,460,000	19,162,920	33,622,920
2029	17,460,000	16,138,032	33,598,032
2030	15,520,000	18,087,722	33,607,722
2031 - 2035	94,880,000	65,326,934	160,206,934
2036 - 2040	81,190,000	45,288,960	126,478,960
2041 - 2045	76,025,000	30,451,717	106,476,717
2046 - 2050	46,345,000	17,290,857	63,635,857
2051 - 2055	47,065,000	6,118,625	53,183,625
	$ 422,720,000	$ 255,316,674	$ 678,036,674

In August 2025, the District issued Unlimited Tax School Building Bonds, Series 2025, in the amount of $148,130,000 with a premium of $3,347,451 and an interest rate of 2.40% to 5.00%. The proceeds will be used for the construction, acquisition and equipment of school buildings, renovations to existing facilities, the purchase of necessary sites for school buildings, the purchase of school buses, and the construction, acquisition and equipment of a new stadium complex.

In July 2025, the District defeased a portion of the Unlimited Tax Refunding Bonds, Series 2016E, in the amount of $10,355,000. A total of $10,794,303 was placed into escrow. The bonds were defeased on July 23, 2025 and are callable on August 15, 2026. The related deferred loss on refunding and premium were removed along with the principal of these bonds. The defeasance reduced total debt service payments by $4,013,400 with a present value savings of $3,574,097.

Note 6 - Long-term Liabilities (continued)

Changes in Long-term Liabilities (continued)

In prior years and during the current years, the District defeased, certain general obligation debt by placing the proceeds of the new bonds in an irrevocable trust, to provide for all future debt service payments on the refunded debt. Accordingly, the trust account assets and the liability for the defeased debt are not included in the District's financial statements. At August 31, 2025, $94,030,000 of the defeased debt remains outstanding.

Note 7 - SBITA Liabilities

The District is under contract for noncancellable SBITAs that convey control of the right to use software. The SBITA liabilities outstanding as of August 31, 2025, are as follows:

				SBITA Liability		SBITA Asset	
Description	Start Date	End Date	Interest Rate	Original Amount	Outstanding Balance	Original Amount	Accumulated Amortization
Teen Health	09/28/22	09/28/28	2.70%	$ 39,683	$ 20,091	$ 39,683	$ 19,327
Workforce Ready Timekeeping	09/01/22	09/27/26	2.45%	129,774	34,640	154,774	113,944
Discovery	08/01/23	07/31/26	3.04%	22,555	-	22,555	15,663
				$ 192,012	$ 54,731	$ 217,012	$ 148,934

All amounts paid were previously included in the measurement of the subscription liability and there were no other related outflows of resources for the period such as variable payments or termination penalties. In addition, there were no commitments incurred prior to commencement of any SBITA term and there were no impairment losses related to SBITA assets.

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

Fiscal Year	Principal	Interest	Total
2026	$ 41,160	$ 1,002	$ 42,162
2027	6,695	366	7,061
2028	6,876	185	7,061
Total	$ 54,731	$ 1,553	$ 56,284

Note 8 - Revenues from Local, Intermediate, and Out-of-State Sources

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

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Totals
Property Taxes	$ 50,300,578	$ -	$ 35,106,618	$ -	$ 85,407,196
Payments in Lieu of Taxes	10,598,031	-	-	-	10,598,031
Investment Income	3,145,381	18,654	626,729	(599,598)	3,191,166
Co-curricular Student Activities	97,643	372,541	-	-	470,184
Food Sales	-	336,372	-	-	336,372
Other	74,008	842,453	-	-	916,461
	$ 64,215,641	$ 1,570,020	$ 35,733,347	$ (599,598)	$ 100,919,410

Note 9 - Defined Benefit Pension Plan

Plan Description

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

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

Pension Plan Fiduciary Net Position

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

Benefits Provided

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

Note 9 - Defined Benefit Pension Plan (continued)

Benefits Provided (continued)

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.

In May 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for gradual contribution increases from the state, participating employers, and active employees to make the pension fund actuarially sound. This action causing the pension fund to be actuarially sound, allowed the legislature to approve funding for a 13th check in September 2019. All eligible members retired as of December 31, 2018 received an extra annuity check in either the matching amount of their monthly annuity or $2,000, whichever was less.

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.

	Contribution Rates Measurement Year September 1, 2024 to August 31, 2025	Contribution Amounts
Member	8.25%	$ 5,097,128
Non-employer contributing agency	8.25%	3,704,498
Employers	8.25%	2,671,598

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

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

Note 9 - Defined Benefit Pension Plan (continued)

Contributions (continued)

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

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

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

Actuarial Assumptions

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

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

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

Note 9 - Defined Benefit Pension Plan (continued)

Discount Rate

A single discount rate of 7.00 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.00 percent. The projection of 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 projected future benefits payment of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

Asset Class	Target Allocation[2]	Long-Term Expected Geometric Real Rate of Return[3]	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[1]	14.00%	6.70%	1.20%
Stable Value			
Government Bonds	16.00%	1.90%	0.40%
Absolute Return[1]	0.00%	4.00%	0.00%
Stable Value Hedge Funds	5.00%	3.00%	0.20%
Real Return			
Real Estate	15.00%	6.60%	1.20%
Energy, Natural Resources & Infrastructure	6.00%	5.60%	0.40%
Commodities	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[4]			-0.70%
Expected Return	100.00%		7.90%

[1] Absolute Return includes Credit Sensitive Investments.

[2] Target allocations are based on the fiscal year 2024 policy model.

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

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

Note 9 - Defined Benefit Pension Plan (continued)

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:

	Discount Rate		
	1% Decrease (6.00%)	Current Rate (7.00%)	1% Increase (8.00%)
District's proportional share of the net pension liability	$ 49,028,458	$ 30,695,479	$ 15,505,303

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

At August 31, 2025, the District reported a liability of $30,695,479 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	$ 30,695,479
State's proportionate share that is associated with the District	36,270,931
	$ 66,966,410

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

At August 31, 2024, the District's proportion of the collective net pension liability was 0.0503% which was an increase of 0.00160% from its proportion measured as of August 31, 2023.

Changes in Assumptions and Benefits Since the Prior Actuarial Valuation

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

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

For the year ended August 31, 2025, the District recognized pension expense of $5,609,150 and on-behalf pension expense and revenue of $4,334,983 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 pensions from the following sources:

Note 9 - Defined Benefit Pension Plan (continued)

Changes Since the Prior Actuarial Valuation (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 1,691,893	$ (239,655)
Changes of assumption	1,584,873	(212,477)
Net difference between projected and actual earnings on pension plan investments	186,587	-
Changes in proportion and differences between District contributions and proportionate share of contributions	3,386,545	(244,494)
District contributions subsequent to the measurement date of the net pension liability	2,671,599	-
Total	$ 9,521,497	$ (696,626)

The District recognized $2,671,599 as deferred outflows of resources related to pensions 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 District's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year	Pension Expense Amount	Balance of Deferred Outflows (Inflows)
2026	$ 1,557,160	$ 4,596,112
2027	4,005,939	590,173
2028	827,729	(237,556)
2029	(435,820)	198,264
2030	198,264	-
	$ 6,153,272	

Note 10 - Defined Other Post-Employment Benefit Plan

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 benefit OPEB plan with a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.

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

OPEB Plan Fiduciary Net Position

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

Note 10 - Defined Other Post-Employment Benefit Plan (continued)

Benefits Provided

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

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

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

TRS-Care Monthly Premium Rates

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

Contributions

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

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

	Contribution Rates	
	September 1, 2024 to August 31, 2025	Contribution Amounts
Member	0.65%	$ 401,600
Non-employer contributing agency	1.25%	1,143,444
Employers	0.75%	553,345
Federal/private funding	1.25%	62,447
Total District		615,792
Total		$ 2,160,836

Note 10 - Defined Other Post-Employment Benefit Plan (continued)

Contributions (continued)

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

Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2023. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2024. The actuarial valuation was determined using the following actuarial assumptions:

Component	Result
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 claim costs.
Projected Salary Increases	2.95% to 8.95% including inflation
Healthcare Trend Rates	The initial medical trend rates were 6.75% for non-Medicare retirees. For Medicare retirees, trend rates are higher in the first two years due to anticipated growth but thereafter match those of non-Medicare retirees. The initial prescription drug trend was 7.25% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over
Election Rates	Normal Retirement: 62% participation rate prior to age 65 and 25% participation rate after age 65. Pre-65 retirees: 30% of pre-65 retirees are assumed to discontinue coverage at age 65.
Ad hoc post-employment benefit changes	None

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The demographic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2021. The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2023 TRS pension actuarial valuation that was rolled forward to August 31, 2024: (a) Rates of Mortality, (b) Rates of Retirement, (c) Rates of Termination, (d) Rates of Disability, (e) General Inflation, and (f) 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.

Note 10 - Defined Other Post-Employment Benefit Plan (continued)

Discount Rate

A single discount rate of 3.87 percent was used to measure the Total OPEB Liability. There was a decrease of 0.26 percent in the discount rate since the previous year.

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

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

Discount Rate Sensitivity Analysis

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

	Discount Rate		
	1% Decrease (2.87%)	Current Rate (3.87%)	1% Increase (4.87%)
	$ 25,396,846	$ 21,376,975	$ 18,128,860

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

At August 31, 2025, the District reported a liability of $21,376,975 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	$ 21,376,975
State's proportionate share that is associated with District	26,785,060
Total	$ 48,162,035

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 the OPEB 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 District's proportion of the collective Net OPEB Liability was 0.070431% which was an increase of 0.001580% from its proportion measured as of August 31, 2023.

The General and Special Revenue Funds make annual contributions into TRS at the statutorily determined rates. Those contributions are used to liquidate OPEB liability.

Note 10 - Defined Other Post-Employment Benefit Plan (continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEBs (continued)

Healthcare Trend Rate Sensitivity Analysis

Healthcare Cost Trend Rates – 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.

	Healthcare Cost Trend Rate		
	1% Decrease	Current	1% Increase
District's proportionate share of the Net OPEB Liability:	$ 17,408,373	$ 21,376,975	$ 26,548,460

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.

For the year ended August 31, 2025, the District recognized negative OPEB expense of $3,297,504. The District also recognized negative on-behalf expense and revenue of $3,481,563 representing 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 economic experience	$ 4,097,248	$ (10,668,270)
Changes of assumption	2,736,000	(6,975,060)
Net difference between projected and actual earnings on OPEB plan investments	-	(59,863)
Changes in proportion and differences between District contributions and proportionate share of contributions	709,659	(3,987,119)
District contributions subsequent to the measurement date of the net OPEB liability	615,792	-
Total	$ 8,158,699	$ (21,690,312)

Note 10 - Defined Other Post-Employment Benefit Plan (continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEBs (continued)

Changes Since the Prior Actuarial Valuation (continued)

The District recognized $615,792 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 measurement year ended August 31, 2025. The other amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year	OPEB Expense Amount	Balance of Deferred Outflows (Inflows)
2026	$ (3,853,924)	$ (10,293,481)
2027	(2,885,741)	(7,407,740)
2028	(3,183,455)	(4,224,285)
2029	(2,694,793)	(1,529,492)
2030	(1,367,444)	(162,048)
Thereafter	(162,048)	-
	$ (14,147,405)	

Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, 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 years ended August 31, 2025, 2024, and 2023, the subsidy payments received by TRS-Care on-behalf of the District were $433,570, $322,841, and $306,961, respectively. These payments are recorded as equal revenues and expenditures in the governmental fund financial statements of the District.

Note 11 - Risk Management

Property/Liability

The District is exposed to various risks of loss related to property/liability losses for which the District carries commercial insurance. In addition, the District participates in the Interlocal Purchasing System (TIPS/TAPS), which provides general liability, auto liability auto physical damage and Crime insurance. The District is also a member of the Texas Association of School Boards Joint Self-Insurance Fund (Fund), which provides Worker's Compensation Insurance. Illinois National provides Educators Legal Liability Insurance. There were no reductions in coverage in the current fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

Note 12 - Contingencies

The District receives financial assistance from federal, state, and local governmental agencies in the form of grants. The disbursement of funds received under these programs generally require compliance with the terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund. However, in the opinion of management, such disallowed claims, if any, will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at August 31, 2025.

From time to time, the District is a defendant in legal proceedings relating to its operations as a school district. Although the outcome of these lawsuits is not presently determinable, in the opinion of management and the District's counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the District.

Note 13 - Arbitrage

In accordance with the provisions of Section 148(f) of the Internal Revenue Code of 1986, as amended, bonds must satisfy certain arbitrage rebate requirements. Positive arbitrage is the excess of (1) the amount earned on investments purchased with bond proceeds over (2) the amount that such investments would have earned had such investments been invested at a rate equal to the yield on the bond issue. In order to comply with the arbitrage rebate requirements, positive arbitrage must be paid to the U.S. Treasury at the end of each five-year anniversary date of the bond issue. The District does not have an arbitrage liability as of August 31, 2025.

Note 14 - Tax Abatements

Currently, the District has four (4) active Chapter 313 Agreements with corporations for Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes pursuant to the Chapter 313 of the Texas Tax Code, i.e., the Texas Economic Development Act, as set forth in Chapter 313 of the Texas Tax Code, as amended. Two of the projects are in the Maintain Viable Presence Period of the Agreements, beginning in Tax Year 2018.

Value limitation agreements are a part of a state program, originally created in 2001 which allows school districts to limit the taxable value of an approved project for Maintenance and Operations (M&O) for a period of years specified in statute. The project(s) under the Chapter 313 agreement must be consistent with the state's goal to "encourage large scale capital investments in this state." Chapter 313 of the Tax Code grants eligibility to companies engaged in manufacturing, research and development, renewable electric energy production, clean coal projects, nuclear power generation and data centers.

In order to qualify for a value limitation agreement, each applicant has been required to meet a series of capital investment, job creation, and wage requirements specified by state law. At the time of the application's approval, the agreement was found to have done so by both the District's Board of trustees and the Texas Comptroller's Office, which recommended approval of the project. The application, the agreements and state reporting requirement documentation can be viewed at the Texas Comptroller's website: https://www.comptroller.texas.gov/economy/local/ch313/agreement-docs.php.

The agreement and all supporting documentation were assigned Texas Comptroller Application number.

Diamond Green Diesel LLC's (Application No. 1501) first year value limitation is tax year 2024 (fiscal year 2025). The project value's limitation is $30,000,000 with a total project value of $1,295,137,280. There was a reduction of $8,703,767 to the applicant's M&O taxes in the current fiscal year. The final year of value limitation for M&O is fiscal year 2034.

GT Logistics, LLC's (Application No. 1550) first year value limitation is tax year 2024 (fiscal year 2025). The project value's limitation is $30,000,000 with a total project value of $228,000,000. There was a reduction of $1,060,552 to the applicant's M&O taxes in the current fiscal year. The final year of value limitation for M&O is fiscal year 2034.

Note 14 - Tax Abatements (continued)

The Premcor Refining Group Inc.'s (Application No. 1205) first year value limitation is tax year 2024 (fiscal year 2025). The project value's limitation is $30,000,000 with a total project value of $768,000,000. There was a reduction of $4,958,972 to the applicant's M&O taxes in the current fiscal year. The final year of value limitation for M&O is fiscal year 2034.

Note 15 – Beginning Net Position Restatement

During the current year, the District implemented GASB Statement No. 101, *Compensated Absences*. In conjunction with this implementation, the District revised its methodology for compensated absences liabilities by adopting a Last-In, First-Out (LIFO) assumption to better reflect the actual usage patterns of employee leave absences. The effect of change in accounting principle is summarized below in the "Restatement – GASB 101 Implementation" column.

Net Position as of August 31, 2024 as previously reported	Restatement – GASB No. 101 Implementation	Net Position as of August 31, 2024, as restated
$ 8,050,025	$ 405,840	$ 8,455,865

REQUIRED SUPPLEMENTARY INFORMATION

PORT ARTHUR INDEPENDENT SCHOOL DISTRICT

Exhibit G-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended August 31, 2025

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
	Revenues				
5700	Local, intermediate, and out-of-state	$ 66,936,765	$ 66,936,765	$ 64,215,641	$ (2,721,124)
5800	State program revenues	31,481,216	31,481,216	40,846,501	9,365,285
5900	Federal program revenues	3,532,695	3,532,695	1,789,909	(1,742,786)
5020	**Total Revenues**	101,950,676	101,950,676	106,852,051	4,901,375
	Expenditures				
	Current:				
0011	Instruction	53,659,375	52,227,378	51,017,605	1,209,773
0012	Instructional resources and media services	611,738	652,738	574,126	78,612
0013	development	727,539	727,539	695,789	31,750
0021	Instructional leadership	2,292,471	2,354,472	2,288,781	65,691
0023	School leadership	6,761,225	6,726,225	6,690,856	35,369
0031	Guidance, counseling and evaluation services	3,302,061	3,457,062	3,321,105	135,957
0032	Social work services	606,155	606,155	541,066	65,089
0033	Health services	1,332,499	1,356,499	1,289,887	66,612
0034	Student transportation	2,551,335	2,376,335	2,216,773	159,562
0036	Extracurricular activities	1,799,921	2,059,920	2,006,761	53,159
0041	General administration	3,993,897	4,093,896	3,951,192	142,704
0051	Facilities maintenance and operations	17,450,354	18,394,946	18,249,559	145,387
0052	Security and monitoring services	3,168,962	3,009,197	2,848,163	161,034
0053	Data processing services	2,237,357	2,522,897	2,449,378	73,519
0061	Community services	305,991	305,991	234,842	71,149
	Debt Service:				
0071	Principal on long-term debt	-	70,000	33,804	36,196
0072	Interest on long-term debt	-	10,000	1,296	8,704
	Capital Outlay:				
0081	Facilities acquisition and construction	15,000	25,000	20,046	4,954
	Intergovernmental				
0091	Contracted instructional services between public schools	97,546	747,546	583,179	164,367
0095	Payments to Juvenile Justice AEP	77,250	77,250	77,250	-
0099	Payments to appraisal district	960,000	960,000	788,441	171,559
6030	**Total Expenditures**	101,950,676	102,761,046	99,879,899	2,881,147
1100	Excess (deficiency) of revenues over expenditures	-	(810,370)	6,972,152	7,782,522
	Other Financing Sources (Uses)				
7912	Sale of real and personal property	-	-	18,090	18,090
7080	**Total Other Financing Sources (Uses)**	-	-	18,090	18,090
1200	Net change in fund balances	-	(810,370)	6,990,242	7,800,612
0100	**Fund Balance - September 1 (Beginning)**	69,808,944	69,808,944	69,808,944	-
3000	**Fund Balance - August 31 (Ending)**	$ 69,808,944	$ 68,998,574	$ 76,799,186	$ 7,800,612

PORT ARTHUR INDEPENDENT SCHOOL DISTRICT *Exhibit G-2*

BUDGETARY COMPARISON SCHEDULE
CHILD NUTRITION PROGRAM
For the Year Ended August 31, 2025

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
	Revenues				
5700	Local, intermediate, and out-of-state	$ -	$ 405,000	$ 355,026	$ (49,974)
5800	State program revenues	28,000	28,000	29,819	1,819
5900	Federal program revenues	6,747,578	6,747,578	6,275,957	(471,621)
5030	**Total Revenues**	6,775,578	7,180,578	6,660,802	(519,776)
	Expenditures				
	Current:				
0035	Food services	7,180,578	7,180,578	7,141,263	39,315
6030	**Total Expenditures**	7,180,578	7,180,578	7,141,263	39,315
1200	Net change in fund balance	(405,000)	-	(480,461)	(480,461)
0100	**Fund Balance - September 1 (Beginning)**	1,125,539	1,125,539	1,125,539	-
3000	**Fund Balance - August 31 (Ending)**	$ 720,539	$ 1,125,539	$ 645,078	$ (480,461)

PORT ARTHUR INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY BUDGETARY INFORMATION

August 31, 2025

The District adopts annual appropriations type budgets for the General Fund, Child Nutrition Program included in the Special Revenue Fund, and the Debt Service Fund using the same method of accounting as for financial reporting, as required by law. The General Fund Budget Schedule and the Child Nutrition Program Budget Schedule appear on Exhibit G-1 and G-2, respectively, and the Debt Service Fund Budget Schedule is on Exhibit J-2.

Expenditures may not legally exceed budgeted appropriations at the function or activity level. Expenditure requests which would require an increase in total budgeted appropriations must be approved by the Trustees through formal budget amendment. State law prohibits trustees from making budget appropriations in excess of funds available and estimated revenues. State law also prohibits amendment of the budget after fiscal year end. During the year ended August 31, 2025, the Board of Trustees approved budget amendments increasing expenditures as follows:

	General Fund	Child Nutrition Program	Debt Service Fund
Amendments Approved	$ 810,370	$ -	$ 2,400,000

The administrative level at which responsibility for control of budgeted appropriations begins is at the organizational level within each function of operations. The finance department reviews closely the expenditure requests submitted by the various organizational heads (principal and department heads) throughout the year to ensure proper spending compliance. No public funds of the District shall be expended in any manner other than as provided for in the budget adopted by the Board of Trustees.

The official school budget was prepared for adoption for budgeted governmental fund types by August 31, 2024. The budget was formally adopted by the Board of Trustees at a duly advertised public meeting prior to the expenditure of funds. The final amended budget is filed with the Texas Education Agency (TEA) through inclusion in the annual financial and compliance report.

Encumbrance accounting is utilized in all government fund types. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at year-end and encumbrances outstanding at that time are appropriately provided for in the subsequent year's budget.

PORT ARTHUR INDEPENDENT SCHOOL DISTRICT

Exhibit G-3

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
Last Ten Measurement Years

	2024	2023	2022	2021	2020
District's proportion of the net pension liability	0.050300%	0.048700%	0.044866%	0.043200%	0.044600%
District's proportionate share of the net pension liability	$ 30,695,479	$ 33,424,665	$ 26,635,693	$ 11,003,960	$ 23,909,486
State's proportionate share of the net pension liability associated with the District	36,270,931	44,271,042	44,362,630	20,838,017	43,148,324
Total	$ 66,966,410	$ 77,695,707	$ 70,998,323	$ 31,841,977	$ 67,057,810
District's covered payroll (for Measurement Year)	$ 61,507,968	$ 60,113,866	$ 58,757,392	$ 57,451,765	$ 56,485,141
District's proportionate share of the net pension liability as a percentage of its covered payroll	49.9%	55.6%	45.3%	19.2%	42.3%
Plan fiduciary net position as a percentage of the total pension liability *	77.51%	73.15%	75.65%	88.79%	75.54%
Plan's net pension liability as a percentage of covered payroll *	102.39%	122.32%	112.72%	51.08%	110.36%

	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.031300%	0.029600%	0.035100%	0.033100%	0.032884%
District's proportionate share of the net pension liability	$ 16,247,895	$ 16,267,100	$ 11,222,317	$ 12,496,047	$ 11,623,986
State's proportionate share of the net pension liability associated with the District	39,635,983	45,254,942	23,707,097	29,351,981	28,179,603
Total	$ 55,883,878	$ 61,522,042	$ 34,929,414	$ 41,848,028	$ 39,803,589
District's covered payroll (for Measurement Year)	$ 53,991,706	$ 52,425,792	$ 50,156,718	$ 49,326,749	$ 47,813,903
District's proportionate share of the net pension liability as a percentage of its covered payroll	30.1%	31.0%	22.4%	25.3%	24.3%
Plan fiduciary net position as a percentage of the total pension liability *	75.24%	73.74%	82.17%	78.00%	78.43%
Plan's net pension liability as a percentage of covered payroll *	114.93%	126.11%	75.93%	92.75%	91.94%

Notes: Amounts will be presented prospectively in accordance with GASB 68.
The amounts presented for each Plan year which ends the preceding August 31 of the District's fiscal year.

* Per Teacher Retirement System of Texas' comprehensive annual financial report.

PORT ARTHUR INDEPENDENT SCHOOL DISTRICT

Exhibit G-4

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
Last Ten Fiscal Years

	2025	2024	2023	2022	2021
Contractually required contributions	$ 2,671,599	$ 2,828,945	$ 2,497,713	$ 2,093,110	$ 1,844,672
Contributions in relation to the contractual required contributions	2,671,599	2,828,945	2,497,713	2,093,110	1,844,672
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 61,785,689	$ 61,507,968	$ 60,113,866	$ 58,757,392	$ 57,451,765
Contributions as a percentage of covered payroll	4.32%	4.60%	4.15%	3.56%	3.21%

	2020 (1)	2019	2018	2017	2016
Contractually required contributions	$ 1,850,743	$ 1,009,198	$ 986,936	$ 1,142,461	$ 1,050,178
Contributions in relation to the contractual required contributions	1,850,743	1,009,198	986,936	1,142,461	1,050,178
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 56,485,141	$ 53,991,706	$ 52,425,792	$ 50,156,718	$ 49,326,747
Contributions as a percentage of covered payroll	3.28%	1.87%	1.88%	2.28%	2.13%

(1) The District began paying the Public Education Employers Contribution (formerly RE Payment for Non-OASDI Members Contribution) due to legislation changes in House Bill 3. This became a requirement for all non-higher education reporting entities regardless of whether or not they pay social security on their TRS members.

Changes of Assumptions

Measurement Year 2018: The discount rate changed from 8.0% as of August 31, 2017 to a blended rate of 6.907% as of August 31, 2018. The long-term assumed rate of return changed from 8.0% as of August 31, 2017 to 7.25% as of August 31, 2018. Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. The total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.

Measurement Year 2020: The state and employer contribution rate changed from 6.8% to 7.5%. The 1.5% public education employer contribution applied to just employers whose employees were not covered by OASDI in 2019 and it changed in 2020 to apply to all public schools, charter schools and regional education centers irrespective of participation in OASDI.

Measurement Year 2021: The public education employer contribution rate changed from 1.5% in 2020 to 1.6% in 2021.

Measurement Year 2022: The discount rate changed from 7.25% to 7.00%.

Measurement Year 2023: None.

Measurement Year 2024: None.

PORT ARTHUR INDEPENDENT SCHOOL DISTRICT

Exhibit G-5

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

TEACHER RETIREMENT SYSTEM OF TEXAS

Last Eight Measurement Years

	2024	2023	2022	2021
District's proportion of the net OPEB liability	0.070431%	0.068851%	0.070037%	0.072000%
District's proportionate share of the net OPEB liability	$ 21,376,975	$ 15,242,495	$ 16,769,562	$ 27,770,975
State's proportionate share of the net OPEB liability associated with the District	26,785,060	18,392,413	20,456,231	37,206,917
Total	$ 48,162,035	$ 33,634,908	$ 37,225,793	$ 64,977,892
District's covered payroll (for Measurement Year)	$ 61,507,968	$ 60,113,866	$ 60,113,866	$ 58,757,392
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	34.8%	25.4%	27.9%	47.3%
Plan fiduciary net position as a percentage of the total OPEB liability *	13.70%	14.95%	11.52%	6.18%
Plan's net OPEB liability as a percentage of covered payroll *	67.98%	51.86%	59.10%	100.13%

	2020	2019	2018	2017
District's proportion of the net OPEB liability	0.072900%	0.080600%	0.081460%	0.081500%
District's proportionate share of the net OPEB liability	$ 27,730,991	$ 38,131,457	$ 40,674,334	$ 35,442,346
State's proportionate share of the net OPEB liability associated with the District	37,263,804	50,668,182	42,046,570	36,497,126
Total	$ 64,994,795	$ 88,799,639	$ 82,720,904	$ 71,939,472
District's covered payroll (for Measurement Year)	$ 57,451,765	$ 56,485,141	$ 52,425,792	$ 50,156,718
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	48.3%	67.5%	77.6%	70.7%
Plan fiduciary net position as a percentage of the total OPEB liability *	4.99%	2.66%	1.57%	0.91%
Plan's net OPEB liability as a percentage of covered payroll *	101.46%	135.21%	146.64%	132.55%

Notes: Amounts will be presented prospectively in accordance with GASB 75.
The amounts presented for each Plan year which ends the preceding August 31 of the District's fiscal year.

* Per Teacher Retirement System of Texas' comprehensive annual financial report.
Note: Ten years of data should be presented in this schedule but data is unavailable prior to 2017.

PORT ARTHUR INDEPENDENT SCHOOL DISTRICT *Exhibit G-6*

SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
Last Ten Fiscal Years

	2025	2024	2023	2022	2021
Contractually required contributions	$ 615,792	$ 639,227	$ 594,323	$ 572,603	$ 562,547
Contributions in relation to the contractual required contributions	615,792	639,227	594,323	572,603	562,547
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 61,785,689	$ 61,507,968	$ 60,113,866	$ 58,757,392	$ 58,757,392
Contributions as a percentage of covered payroll	1.00%	1.04%	0.99%	0.97%	0.96%

	2020	2019	2018	2017	2016
Contractually required contributions	$ 556,649	$ 554,051	$ 561,297	$ 423,738	$ 442,157
Contributions in relation to the contractual required contributions	556,649	554,051	561,297	423,738	442,157
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 56,485,141	$ 53,991,706	$ 52,425,792	$ 50,156,718	$ 49,326,747
Contributions as a percentage of covered payroll	0.99%	1.03%	1.07%	0.84%	0.90%

Changes of Assumptions

Measurement Year 2018: The discount rate changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018, updated the health care trend rate assumption, and revised demographic and economic assumptions based on the TRS experience study.

Measurement Year 2019: The discount rate changed from 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019, lowered the participation rates and updated the health care trend rate assumption.

Measurement Year 2020: The discount rate changed from 2.63% as of August 31, 2019 to 2.33% as of August 31, 2020, lowered the participation rate assumption for employees who retire after the age of 65, and lowered the ultimate health care trend rate assumption to reflect the repeal of the excise (Cadillac) tax on high-cost employer health plans.

Measurement Year 2021: The discount rate changed from 2.33% as of August 31, 2020 to 1.95% as of August 31, 2021.

Measurement Year 2022: The discount rate changed from 1.95% as of August 31, 2021 to 3.91% as of August 31, 2022, lowered the participation rates, and updated the healthcare trend rate assumption.

Measurement Year 2023: The discount rate changed from 3.91% as of August 31, 2022 to 4.13% as of August 31, 2023, accompanied by revised demographic and economic assumptions based on the TRS experience study.

Measurement Year 2024: The discount rate changed from 4.13% as of August 31, 2023 to 3.87 % as of August 31, 2024, the tables used to model the impact of aging on the underlying claims were revised.

REQUIRED TEA SCHEDULES

	1	2	3	10	20
Last Ten Fiscal Years	Tax Rates		Net Assessed/Appraised Value For School Tax Purposes	Beginning Balance 9/1/24	Current Year's Total Levy
	Maintenance	Debt Service			
2016 and prior	Various	Various	Various	$ 1,893,085	$ -
2017	$1.04000	$0.31314	$4,416,465,751	257,360	-
2018	1.170000	0.310987	4,281,278,094	344,298	-
2019	1.170000	0.315090	6,201,976,513	388,126	-
2020	1.068350	0.412540	5,550,038,374	457,624	-
2021	1.086400	0.500000	5,177,916,982	552,794	-
2022	1.051700	0.534082	5,058,607,362	1,037,053	-
2023[1]	1.007000	0.576379	5,465,583,477	1,401,718	-
2024	0.82630	0.500000	6,094,679,258	3,182,912	-
2025	0.81770	0.499939	6,112,332,361	-	80,538,475
1000 Totals				$ 9,514,970	$ 80,538,475
8000 Taxes Refunded					
9000 Tax Increment					

[1] This row includes $8.9 million in refunds due to settlements as a result of reappraisals.

Last Ten Fiscal Years	31 Maintenance Total Collections	32 Debt Service Total Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/25	99 Total Taxes Refunded Under Section 26.1115(c)
2016 and prior	$ 149,822	$ (34,782)	$ (298,172)	$ 1,479,873	
2017	19,260	5,806	(13,286)	219,008	
2018	28,590	7,599	(14,682)	293,427	
2019	35,242	9,491	(14,219)	329,174	
2020	43,794	16,911	(15,054)	381,865	
2021	55,341	25,469	(21,891)	450,093	
2022	(18,900)	(9,598)	(246,516)	819,035	
2023[1]	(20,975)	(12,006)	(373,878)	1,060,821	
2024	448,507	271,395	(1,121,287)	1,341,723	
2025	48,631,295	29,733,008	-	2,174,172	
1000 Totals	$ 49,371,976	$ 30,013,293	$ (2,118,985)	$ 8,549,191	
8000 Taxes Refunded					$ 23,402
9000 Tax Increment	$ -				

[1] This row includes $8.9 million in refunds due to settlements as a result of reappraisals.

PORT ARTHUR INDEPENDENT SCHOOL DISTRICT *Exhibit J-2*

BUDGETARY COMPARISON SCHEDULE

DEBT SERVICE FUND

For the Year Ended August 31, 2025

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
	Revenues				
5700	Local, Intermediate, and Out-of-State	$ 34,796,356	$ 34,796,356	$ 35,733,347	$ 936,991
5800	State Program Revenues	-	-	2,036,406	2,036,406
5030	**Total Revenues**	34,796,356	34,796,356	37,769,753	2,973,397
	Expenditures				
	Debt Service:				
0071	Principal on long-term debt	14,045,000	14,045,000	14,045,000	-
0072	Interest on long-term debt	12,120,357	12,120,357	11,607,023	513,334
0073	Bond issuance costs and fees	8,630,999	11,030,999	10,965,199	65,800
6030	**Total Expenditures**	34,796,356	37,196,356	36,617,222	579,134
1200	Net change in fund balances	-	(2,400,000)	1,152,531	3,552,531
0100	**Fund Balance - September 1 (Beginning)**	5,207,295	5,207,295	5,207,295	-
3000	**Fund Balance - August 31 (Ending)**	$ 5,207,295	$ 2,807,295	$ 6,359,826	$ 3,552,531

PORT ARTHUR INDEPENDENT SCHOOL DISTRICT *Exhibit J-4*

COMPENSATORY EDUCATION PROGRAM AND BILINGUAL EDUCATION PROGRAM COMPLIANCE RESPONSES

For the Year Ended August 31, 2025

Data Codes	Section A: Compensatory Education Programs	Responses
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.	$ 10,992,181
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28, 29, 30)	$ 5,157,874
	Section B: Bilingual Education Programs	
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.	$ 1,440,342
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PIC 25)	$ 704,511


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Port Arthur
Independent School District

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.	$ 14,621,187

Note: This schedule is to be included as part of the annual financial audit report (AFR) submission on the required due date and published as a part of the school district's AFR. This schedule should be submitted in the data feed file and submitted as an Adobe Acrobat portable document file (pdf).


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FEDERAL AWARDS SECTION


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

To the Board of Trustees
Port Arthur Independent School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and by the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Port Arthur 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 District's basic financial statements, and have issued our report thereon dated January 22, 2026.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 or significant deficiencies. However, material weaknesses or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

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

To the Board of Trustees
Port Arthur Independent School District

Purpose of this Report

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

Whitley Penn LLP

Houston, Texas
January 22, 2026

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees
Port Arthur Independent School District

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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.

To the Board of Trustees
Port Arthur Independent School District

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.

Whitley Penn LLP

Houston, Texas
January 22, 2026

PORT ARTHUR INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For The Year Ended August 31, 2025

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance with major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a) ?	No

Identification of major programs:

Name of Federal Program or Cluster	Assistance Listing Number (ALN)
Child Nutrition Cluster	10.553, 10.555, & 10.582
Special Education Cluster	84.027, 84.173
Dollar Threshold Considered Between Type A and Type B Federal Programs	$750,000
Auditee qualified as low risk auditee?	Yes

II. Financial Statement Findings

None reported.

III. Federal Award Findings and Questioned Costs

None reported.

Fund Code	(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) ALN	(2a) NOGA ID/ Pass-Through Entity Identifying Number	(3) Federal Expenditures
	U.S. Department of Agriculture			
	Passed through the Texas Department of Agriculture:			
240	*USDA Commodities*	10.555	NT4XL1YGLGC5	$ 434,176
240	*Fresh Fruit and Vegetable Program*	10.582	NT4XL1YGLGC5	219,280
	Passed through the Texas Education Agency:			
240	*School Breakfast Program*	10.553	71402501	1,540,961
240	*School Breakfast Program - SSO*	10.553	71402501	24,894
240	*National School Lunch Program*	10.555	71402501	4,847,881
240	*National School Lunch Program - SSO*	10.555	71402501	80,349
	Total Child Nutrition Cluster (ALN 10.553, 10.555, 10.582)			7,147,541
	Passed through the Texas Department of Agriculture:			
240	*Local Food for Schools Cooperative*	10.185	NT4XL1YGLGC5	85,000
240	*State Administrative Expense (SAE) Funds*	10.560	NT4XL1YGLGC5	24,033
240	*Equipment Assistant Grant*	10.579	NT4XL1YGLGC5	3,229
	Total U.S. Department of Agriculture			**7,259,803**
	U.S. Department of Defense			
	Direct Programs:			
288	*Naval JROTC*	12.000	N/A	71,226
	Total U.S. Department of Defense			**71,226**
	U.S. Department of Education			
	Passed through the Texas Education Agency:			
211	*Title I, Part A-Improving Basic Programs*	84.010A	24610101123907	377,082
211	*Title I, Part A-Improving Basic Programs*	84.010A	25610101123907	3,121,844
211	*Title I, 1003 School Improvement Grant*	84.010A	25610139123907	92,972
	Total ALN 84.010			3,591,898
212	*Title I Part C-Migrant*	84.011A	25615001123907	241,228
	Total ALN 84.011			241,228
224	*IDEA Part B, Formula*	84.027A	256600011239076600	2,002,477
225	*IDEA B, Part B - Pre School*	84.173A	256610011239076610	29,525
284	*COVID-19 - ARP - IDEA Part B, Formula*	84.027X		(7)
	Total Special Education Cluster (ALN 84.027, 84.173)			2,031,995
244	*Carl D. Perkins*	84.048A	2442006123907	2,827
244	*Carl D. Perkins*	84.048A	2542006123907	140,924
	Total ALN 84.048			143,751
255	*Title II, Part A-Supporting Effective Instruction*	84.367A	24694501123907	12,715
255	*Title II, Part A-Supporting Effective Instruction*	84.367A	25694501123907	362,522
	Total ALN 84.367			375,237

Fund Code	(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) ALN	(2a) NOGA ID/ Pass-Through Entity Identifying Number	(3) Federal Expenditures
	U.S. Department of Education (continued)			
	Passed through the Texas Education Agency: (continued)			
263	*Title III, Part A-English Language Acquisition*	84.365A	25671001123907	$ 233,905
263	*Title III, Part A-Immigration*	84.365A	25671003123907	19,237
	Total ALN 84.365			253,142
289	*Title V, Part A*	84.424	24680101123907	28,979
289	*Title V, Part A*	84.424	25680101123907	165,019
	Total ALN 84.424			193,998
279	*COVID - 19 - TCLAS ESSER III*	84.425U		(2,030)
281	*COVID - 19 - ESSER II CRRSA Act*	84.425D	21521001123907	(106,072)
282	*COVID - 19 - ESSER III ARP Act*	84.425U	21528001123907	387,772
	Total ALN 84.425			279,670
	Passed through University of Texas at Austin:			
274	*Gaining Early Awareness and Readiness for Undergraduate Programs*	84.334	P334A220031	368,702
	Total U.S. Department of Education			**7,479,621**
	U.S. Department of Health and Human Services			
	Direct Programs:			
205	*Head Start Program*	93.600	06CH012772-01	3,369,807
	Total Head Start Cluster (ALN 93.600)			3,369,807
199	*Medicaid Administrative Claiming*	93.778	HHS000537900079	50,642
	Total Medicaid Cluster (ALN 93.778)			50,642
	Total U.S. Department of Health and Human Services			**3,420,449**
	U.S. Department of Homeland Security			
	Passed through Texas Division of Emergency Management:			
199	*Federal Emergency Management Agency - 4572 Hurricane Laura*	97.036	FEMA-4572-PA-TX	(15,200)
	Total ALN 97.036			(15,200)
	Total U.S. Department of Homeland Security			**(15,200)**
	Total Expenditures of Federal Awards			**$ 18,215,899**

Note 1 -Basis of Accounting

The District accounts for all awards under federal programs in the General and Special Revenue Fund in accordance with the Texas Education Agency's *Financial Accountability System Resource Guide*. These programs are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used for these funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the liability is incurred, if measurable, except for certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources. Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement. Pass-through entity identifying numbers are presented where available.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such amounts are received, they are recorded as unearned revenues until earned. Generally, unused balances are returned to the grantor at the close of specified project periods. The District has elected not to use the 15 percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 2 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the District under programs of the federal government for the year ended August 31, 2025. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

Note 3 - Reconciliation to Basic Financial Statements

The following is a reconciliation of expenditures of federal awards program per Exhibit K-1 and expenditures reported on Exhibit C-2:

Total Expenditures of Federal Awards	$	18,215,899
SHARS		306,338
Reconciled Balance	$	18,522,237
Related Expenditures on Exhibit C-2:		
General Fund	$	1,789,909
Special Revenue Fund		16,732,328
Reconciled Balance	$	18,522,237

Note 4 - General Fund Expenditures

Federal Awards reported in the general fund are summarized as follows:

Program or Source	Assistance Listing Number	Amount
School Health and Related Services Program (SHARS)	N/A	$ 306,338
Federal Emergency Management Agency - 4572 Hurricane Laura	97.036	(15,200)
Medicaid Administrative Claiming	93.778	50,642
Indirect Costs:		
Child Nutrition Cluster	10.553/10.555	983,846
Title I, Part A-Improving Basic Programs	84.010A	174,037
Title I Part C-Migrant	84.011A	11,800
Title II, Part A-Supporting Effective Instruction	84.367A	17,818
Title III, Part A-English Language Acquisition	84.365A	12,214
Title IV, Part A	84.424A	9,273
IDEA Part B, Formula	84.027A	97,570
Head Start Cluster	93.600	141,571
		$ 1,789,909

PORT ARTHUR INDEPENDENT SCHOOL DISTRICT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended August 31, 2025

Federal regulations, Title 2 U.S. Code of Federal Regulations Section 200.511 states, "The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings." The summary schedule of prior audit findings must report the status of the following:

- All audit findings included in the prior audit's schedule of findings and questioned costs and
- All audit findings reported in the prior audit's summary schedule of prior audit findings except audit findings listed as corrected.

I. Prior Audit Findings

None Noted

PORT ARTHUR INDEPENDENT SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

For the Year Ended August 31, 2025

Federal regulations, Title 2 U.S. Code of Federal Regulations §200.511 states, “At the completion of the audit, the auditee must prepare, in a document separate from the auditor's findings described in §200.516 Audit findings, a corrective action plan to address each audit finding included in the current year auditor's reports.”

I. Corrective Action Plan

Not Applicable.


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APPENDIX D

FORM OF BOND COUNSEL'S OPINION

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Partner

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September 3, 2026

WE HAVE SERVED as bond counsel for the Port Arthur Independent School District (the "District") in connection with the bonds hereinafter described (the "Bonds"):

> PORT ARTHUR INDEPENDENT SCHOOL DISTRICT UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2026A dated September 1, 2026, in the total authorized amount of $87,535,000.

The Bonds mature, bear interest, are subject to redemption prior to maturity, and may be transferred and exchanged as set out in the Bonds and in the order adopted by the Board of Trustees of the District authorizing their issuance (the "Bond Order") and the pricing certificate (the "Pricing Certificate", and together with the Bond Order, the "Order") executed pursuant thereto.

IN RENDERING THE OPINIONS herein we have examined and rely upon (i) original or certified copies of the proceedings relating to the issuance of the Bonds, including the Order, and an examination of the initial Bond executed and delivered by the District (which we found to be in due form and properly executed); (ii) certifications of officers of the District relating to the expected use and investment of proceeds of the sale of the Bonds and certain other funds of the District; and (iii) other documentation and such matters of law as we deem relevant. We further have relied on representations of the District, the District's financial advisor and the underwriters of the Bonds with respect to matters solely within their knowledge which we have not independently verified, and have assumed continuing compliance with the covenants in the Order pertaining to those sections of the Internal Revenue Code of 1986, as amended, which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. We have also relied on the certificate with respect to arbitrage by the Commissioner of Education of the State of Texas regarding the allocation and investment of certain investments in the Permanent School Fund Guarantee. If any of such representations are determined to be inaccurate, or if the District fails to comply with the foregoing provisions of the Order, interest on the Bonds could become includable in gross income from the date of original delivery, regardless of the date on which the event causing such inclusion occurs.

In the examination of the proceedings relating to the issuance of the Bonds, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such documents and certifications.

BASED ON OUR EXAMINATION, we are of the opinion that, under applicable laws of the United States of America and the State of Texas in force and effect on the date hereof:

1. The Bonds have been duly authorized by the District and, when issued in

compliance with the provisions of the Order, are valid, legally binding, and enforceable obligations of the District, payable from the proceeds of an ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property within the District, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity.

2. Pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), and existing regulations, published rulings, and court decisions thereunder, and assuming continuing compliance after the date hereof by the District with the provisions of the Order relating to sections 141 through 150 of the Code, interest on the Bonds for federal income tax purposes (a) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof, and (b) the Bonds are not private activity bonds.

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

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

Yours truly,

CREIGHTON, FOX, JOHNSON & MILLS, PLLC

APPENDIX E

PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

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

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

History and Purpose

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

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

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

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

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

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

Management and Administration of the Fund

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

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

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

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

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

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

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

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

The Total Return Constitutional Amendment

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

In determining the Distribution Rate, the SBOE has adopted the goal of maximizing the amount distributed from the Fund in a manner designed to preserve "intergenerational equity." The definition of intergenerational equity that the SBOE has generally followed is the maintenance of purchasing power to ensure that endowment spending keeps pace with inflation, with the ultimate goal being to ensure that current and future generations are given equal levels of purchasing power in real terms. In making this

determination, the SBOE takes into account various considerations, and relies upon PSF Corporation and TEA staff and external investment consultants, which undertake analysis for long-term projection periods that includes certain assumptions. Among the assumptions used in the analysis are a projected rate of growth of student enrollment State-wide, the projected contributions and expenses of the Fund, projected returns in the capital markets and a projected inflation rate.

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

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

Annual Distributions to the Available School Fund[1]

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

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

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

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

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

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

PSF Corporation Strategic Asset Allocation

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

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

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

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

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

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

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

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

Investment Schedule - PSF(SLB)[1]

Fair Value (in millions) August 31, 2025

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

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

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

The School District Bond Guarantee Program

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

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

and provides certain enforcement mechanisms to the Education Commissioner, including the appointment of a board of managers or annexation of a defaulting school district to another school district.

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

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

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

The Charter District Bond Guarantee Program

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

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

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

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

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

a "bond enhancement agreement" or a "credit agreement," unless the right to payment of such third party is directly as a result of such third party being a bondholder.

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

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

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

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

Capacity Limits for the Guarantee Program

The capacity of the Fund to guarantee bonds under the Guarantee Program is limited to the lesser of that imposed by State law (the "State Capacity Limit") and that imposed by regulations and a notice issued by the IRS (the "IRS Limit", with the limit in effect at

any given time being the "Capacity Limit"). From 2005 through 2009, the Guarantee Program twice reached capacity under the IRS Limit, and in each instance the Guarantee Program was closed to new bond guarantee applications until relief was obtained from the IRS. The most recent closure of the Guarantee Program commenced in March 2009 and the Guarantee Program reopened in February 2010 after the IRS updated regulations relating to the PSF and similar funds.

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

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

Changes in SBOE-determined multiplier for State Capacity Limit

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

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

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

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

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

Based upon historical performance of the Fund, the legal restrictions relating to the amount of bonds that may be guaranteed has generally resulted in a lower ratio of guaranteed bonds to available assets as compared to many other types of credit enhancements that may be available for Texas school district bonds and charter district bonds. However, the ratio of Fund assets to guaranteed bonds and the growth of the Fund in general could be adversely affected by a number of factors, including Fund investment performance, investment objectives of the Fund, an increase in bond issues by school districts in the State or legal restrictions on

the Fund, changes in State laws that implement funding decisions for school districts and charter districts, which could adversely affect the credit quality of those districts, the implementation of the Charter District Bond Guarantee Program, or significant changes in distributions to the ASF. The issuance of the IRS Notice and the Final IRS Regulations resulted in a substantial increase in the amount of bonds guaranteed under the Guarantee Program.

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

2017 Legislative Changes to the Charter District Bond Guarantee Program

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

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

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

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

Charter District Risk Factors

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

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

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

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

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

Ratings of Bonds Guaranteed Under the Guarantee Program

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

Valuation of the PSF and Guaranteed Bonds

Permanent School Fund Valuations

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

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

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

Permanent School Fund Guaranteed Bonds

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

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

Permanent School Fund Guaranteed Bonds by Category[1]

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

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

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

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

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

Effective February 1, 2024, Texas PSF transitioned into a new strategic asset allocation. The new allocation of the PSF Corporation updated the strategic asset allocation among public equities, fixed income, and alternative assets, as discussed herein. Alternative

assets now include private credit*, absolute return, private equity, real estate, natural resources, and infrastructure. For a description of the accrual basis of accounting and more information about performance, including comparisons to established benchmarks for certain periods, please see the 2025 Annual Report which is included by reference herein.

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* The Private Credit asset class was renamed Private Debt, beginning in October 2024.

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

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

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

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

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

Other Events and Disclosures

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

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

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

PSF Continuing Disclosure Undertaking

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

Through the codification of the TEA Undertaking and its commitment to guarantee bonds, the TEA has made the following agreement for the benefit of the issuers, holders, and beneficial owners of guaranteed bonds. The TEA (or its successor with respect to the management of the Guarantee Program) is required to observe the agreement for so long as it remains an "obligated person," within the meaning of Rule 15c2-12, with respect to guaranteed bonds. Nothing in the TEA Undertaking obligates the TEA to make

any filings or disclosures with respect to guaranteed bonds, as the obligations of the TEA under the TEA Undertaking pertain solely to the Guarantee Program. The issuer or an "obligated person" of the guaranteed bonds has assumed the applicable obligation under Rule 15c2-12 to make all disclosures and filings relating directly to guaranteed bonds, and the TEA takes no responsibility with respect to such undertakings. Under the TEA Undertaking, the TEA is obligated to provide annually certain updated financial information and operating data, and timely notice of specified material events, to the MSRB.

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

Annual Reports

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

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

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

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

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

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

Event Notices

The TEA and the PSF Corporation will also provide timely notices of certain events to the MSRB. Such notices will be provided not more than ten business days after the occurrence of the event. The TEA or the PSF Corporation will provide notice of any of the following events with respect to the Guarantee Program: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if such event is material within the meaning of the federal securities laws; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the IRS of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Guarantee Program, or other material events affecting the tax status of the Guarantee Program; (7) modifications to rights of holders of bonds guaranteed by the Guarantee Program, if such event is material within the meaning

of the federal securities laws; (8) bond calls, if such event is material within the meaning of the federal securities laws, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of bonds guaranteed by the Guarantee Program, if such event is material within the meaning of the federal securities laws; (11) rating changes of the Guarantee Program; (12) bankruptcy, insolvency, receivership, or similar event of the Guarantee Program (which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Guarantee Program in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Guarantee Program, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Guarantee Program); (13) the consummation of a merger, consolidation, or acquisition involving the Guarantee Program or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if such event is material within the meaning of the federal securities laws; (14) the appointment of a successor or additional trustee with respect to the Guarantee Program or the change of name of a trustee, if such event is material within the meaning of the federal securities laws; (15) the incurrence of a financial obligation of the Guarantee Program, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Guarantee Program, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the Guarantee Program, any of which reflect financial difficulties. (Neither the Act nor any other law, regulation or instrument pertaining to the Guarantee Program make any provision with respect to the Guarantee Program for bond calls, debt service reserves, credit enhancement, liquidity enhancement, early redemption, or the appointment of a trustee with respect to the Guarantee Program.) In addition, the TEA or the PSF Corporation will provide timely notice of any failure by the TEA or the PSF Corporation to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information

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

Limitations and Amendments

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

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

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

Compliance with Prior Undertakings

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

SEC Exemptive Relief

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

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Independent School District

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