

OFFICIAL STATEMENT

Dated February 12, 2026

NEW ISSUE - Book-Entry-Only



ENHANCED/UNENHANCED RATING: S&P - "AAA"/"AA"

PSF Guaranteed

(See "APPENDIX E - The Permanent School Fund Guarantee Program" and "OTHER PERTINENT INFORMATION - Municipal Bond Rating" herein)

In the opinion of Bond Counsel (defined below), assuming continuing compliance by the District (defined below) after the date of initial delivery of the Bonds (defined below) with certain covenants contained in the Order (defined below) and subject to the matters set forth under "TAX MATTERS" herein, interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income of the owners thereof pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Bonds and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. See "TAX MATTERS" herein.

\$71,850,000

NEW BRAUNFELS INDEPENDENT SCHOOL DISTRICT

(A political subdivision of the State of Texas located in Comal and Guadalupe Counties, Texas)

UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2026

Dated Date: February 15, 2026

Due: February 1, as shown on page -ii- herein

The "New Braunfels Independent School District Unlimited Tax School Building Bonds, Series 2026" (the "Bonds"), as shown on page -ii- herein, are direct obligations of the New Braunfels Independent School District (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. The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Sections 45.001 and 45.003(b)(1), as amended, Texas Education Code, Chapter 1371, as amended, Texas Government Code ("Chapter 1371"), an election held in the District on May 4, 2024 (the "Election"), and an order authorizing the issuance of the Bonds (the "Order") adopted by the Board of Trustees (the "Board") of the District on January 12, 2026. As permitted by the provisions of Chapter 1371, the Board, in the Order, delegated the authority to certain District officials (each, an "Authorized Official") to execute an approval certificate (the "Approval Certificate") establishing the final pricing terms for the Bonds. The Approval Certificate was executed by an Authorized Official on February 12, 2026. See "THE BONDS - Authority for Issuance" herein.

Interest on the Bonds will accrue from February 15, 2026 (the "Dated Date"), will be payable on February 1 and August 1 of each year, commencing August 1, 2026, until stated 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 principal denominations of \$5,000, or integral multiples thereof within a stated maturity. The Bonds will be issued in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository (the "Securities Depository"). Book-entry interests in the Bonds will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Bonds ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the Paying Agent/Registrar, initially BOKF, NA, Dallas, Texas, to the Securities Depository, which will in turn remit such principal and interest to its participants, which will in turn remit such principal and interest to the Beneficial Owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Proceeds from the sale of the Bonds will be used for (i) the purposes authorized under the Election, and (ii) paying for professional services associated with the costs of issuance of the Bonds. See "THE BONDS - Use of Proceeds" herein.

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

**For Maturity Schedule, Principal Amounts, Interest Rates, Initial Yields,
CUSIP Numbers, and Redemption Provisions for the Bonds, see page -ii- herein**

The Bonds are offered for delivery when, as and if issued and received by the initial purchasers thereof named below (the "Underwriters") and are subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Austin, Texas, Bond Counsel. See "LEGAL MATTERS" herein for a discussion of Bond Counsel's opinion. Certain legal matters will be passed upon for the Underwriters by their legal counsel, McCall, Parkhurst & Horton L.L.P., San Antonio, Texas. It is expected that the Bonds will be available for delivery through the services of DTC, New York, New York, on or about March 3, 2026.

PIPER SANDLER & CO.

FROST BANK

HILLTOPSECURITIES

**STATED MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES,
INITIAL YIELDS, CUSIP NUMBERS, AND REDEMPTION PROVISIONS**

**\$71,850,000
NEW BRAUNFELS INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Comal and Guadalupe Counties, Texas)
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2026**

CUSIP No. Prefix 642543⁽¹⁾

\$54,380,000 Serial Bonds

Stated Maturity February 1	Principal Amount (\$)	Interest Rate (%)	Initial Yield (%)	CUSIP No. Suffix⁽¹⁾
2028	50,000	5.000	2.220	K92
2029	100,000	5.000	2.260	L26
2030	175,000	5.000	2.310	L34
2031	200,000	5.000	2.370	L42
2032	400,000	5.000	2.440	L59
-	-	-	-	-
2035	1,075,000	5.000	2.690	L67
2036	1,395,000	5.000	2.790 ⁽²⁾	L75
2037	1,390,000	5.000	2.930 ⁽²⁾	L83
2038	1,630,000	5.000	3.040 ⁽²⁾	L91
2039	1,875,000	5.000	3.170 ⁽²⁾	M25
2040	2,020,000	5.000	3.280 ⁽²⁾	M33
2041	2,115,000	5.000	3.410 ⁽²⁾	M41
2042	2,355,000	5.000	3.560 ⁽²⁾	M58
2043	2,500,000	5.000	3.710 ⁽²⁾	M66
2044	2,840,000	5.000	3.860 ⁽²⁾	M74
2045	3,085,000	5.000	3.980 ⁽²⁾	M82
2046	3,075,000	5.000	4.110 ⁽²⁾	M90
2047	3,170,000	5.000	4.230 ⁽²⁾	N24
2048	3,560,000	5.000	4.290 ⁽²⁾	N32
2049	4,800,000	5.000	4.340 ⁽²⁾	N40
2050	8,790,000	5.000	4.380 ⁽²⁾	N57
2051	7,780,000	5.000	4.410 ⁽²⁾	N73

(Accrued Interest to be added from the Dated Date)

\$17,470,000 Term Bond

\$17,470,000 - 4.375% - Term Bond Due February 1, 2053 - Priced to Yield 4.570% - CUSIP No. Suffix N65

(Accrued Interest to be added from the Dated Date)

Redemption Provisions

The District reserves the right to redeem the Bonds maturing on and after February 1, 2036 in whole or in part, in the principal amount of \$5,000 or any integral multiple thereof, on February 1, 2035 or any date thereafter, at the redemption price of par plus accrued interest to the date of redemption. In addition, the Bond maturing on February 1, 2053 (the "Term Bond") is also subject to mandatory sinking fund redemption. (See "THE BONDS - Redemption Provisions of the Bonds" herein.)

⁽¹⁾ CUSIP numbers are included solely for the convenience of owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems, Inc., on behalf of American Bankers Association. CUSIP numbers will be assigned to this issue by the CUSIP Service Bureau and are included solely for 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 Underwriters, the District or the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein.

⁽²⁾ Yield calculated based on the assumption that the Bonds denoted and sold at a premium will be redeemed on February 1, 2035, the first optional call date for the Bonds, at a redemption price of par, plus accrued interest to the redemption date.

**NEW BRAUNFELS INDEPENDENT SCHOOL DISTRICT
1000 N. Walnut
New Braunfels, Texas 78130**

BOARD OF TRUSTEES

<u>Name</u>	<u>Position</u>	<u>Total Years Served</u>	<u>Term Expires May</u>	<u>Occupation</u>
Eric Bergquist	President	8	2027	Pharmaceutical Sales
Nancy York	Vice President	6	2026	Retired Educator
Steve Minus	Secretary	5	2027	Business Executive
Morgan Renaud	Trustee	4	2028	Children's Ministry Coordinator
Megan Stratemann-Willis	Trustee	4	2028	Electric Distribution Designer
Kim Goodwin	Trustee	3	2028	Auditor
Tom Tucker	Trustee	3	2026	Architect

ADMINISTRATION - FINANCE CONNECTED

<u>Name</u>	<u>Title</u>	<u>Total Years Experience</u>	<u>Total Years With District</u>
Dr. Laurelyn Arterbury	Superintendent of Schools	26	3
Paul McLarty	Chief Business and Support Services Officer	25	3
Jose Betancourt	Director of Financial Services	15	4

CONSULTANTS AND ADVISORS

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USE OF INFORMATION IN OFFICIAL STATEMENT

No dealer, broker, salesman, or other person has been authorized by the District to give any information or to make any representation with respect to the Bonds, other than as 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 either of the foregoing.

This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale. The information set forth herein has been obtained from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriters.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will under any circumstances create any implication that there has been no change in the information or opinions set forth herein after the date of this Official Statement. See "APPENDIX E - THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" 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 Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE THE MARKET PRICE OF THIS ISSUE 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 Financial Advisor, or the Underwriters make any representation or warranty with respect to the information contained in this Official Statement regarding (i) DTC or its book-entry-only system described under the caption "BOOK-ENTRY-ONLY SYSTEM" as such information has been provided by DTC, and (ii) the Texas Permanent School Fund Guarantee Program described in the caption "APPENDIX E - The Permanent School Fund Guarantee Program" as such information has been provided by the Texas Education Agency.

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

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 purchasers 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 WITH RESPECT TO THE BONDS.

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

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The cover page hereof, the appendices hereto, and any addenda, supplement or amendment hereto are part of this Official Statement.

OFFICIAL STATEMENT SUMMARY INFORMATION

The following information is qualified in its entirety by more detailed information and financial statements appearing elsewhere in this Official Statement:

THE DISTRICT	The New Braunfels Independent School District (the "District"), a political subdivision of the State of Texas, is located in Comal and Guadalupe Counties, Texas. The District is approximately 75.70 square miles in area and serves a population of approximately 68,224. The District was created under State statute and is governed by a seven-member Board of Trustees (the "Board"). Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools who is the chief administrative officer of the District. Support services are supplied by consultants and advisors.
THE BONDS	The Bonds mature on February 1 in each of the years set forth on page -ii- hereof. Interest on the Bonds shall accrue from the Dated Date (identified below) and is payable semi-annually on February 1 and August 1, commencing on August 1, 2026, until stated maturity or prior redemption.
DATED DATE	February 15, 2026
REDEMPTION	The District reserves the right to redeem the Bonds maturing on and after February 1, 2036, in whole or in part, in the principal amount of \$5,000 or any integral multiple thereof, on February 1, 2035 or any date thereafter, at the redemption price of par plus accrued interest to the date of redemption. In addition, the Bond maturing on February 1, 2053 (the "Term Bond") is also subject to mandatory sinking fund redemption. See "THE BONDS - Redemption Provisions of the Bonds" herein.
SECURITY FOR THE BONDS	The Bonds constitute direct obligations of the District payable from the proceeds of an annual ad valorem tax levied against all taxable property located therein, without legal limitation as to rate or amount.
TAX MATTERS	In the opinion of Norton Rose Fulbright US LLP, Austin, Texas, interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein. See "TAX MATTERS" and "APPENDIX D - Form of Opinion of Bond Counsel."
PERMANENT SCHOOL FUND GUARANTEE	The District has received conditional approval from the Texas Education Agency for the payment of principal of and interest on the Bonds to be guaranteed under the Permanent School Fund Guarantee Program, which guarantee will automatically become effective when the Attorney General of Texas approves the Bonds. See "APPENDIX E - The Permanent School Fund Guarantee Program" herein.
PAYING AGENT/REGISTRAR	The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas.
MUNICIPAL BOND RATING	S&P Global Ratings ("S&P") has assigned its municipal bond rating of "AAA" to the Bonds based on the guarantee thereof by the Texas Permanent School Fund. In addition, S&P has assigned its underlying unenhanced rating of "AA" to the District's ad valorem tax-supported indebtedness, including the Bonds. See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "OTHER PERTINENT INFORMATION - Municipal Bond Ratings" herein.
FUTURE BOND ISSUES	After the issuance of the Bonds, the District will have \$113,000,000 in authorized but unissued unlimited ad valorem tax supported bonds. The District anticipates the issuance of the next installment of bonds from the current authorization in the next 12-18 months along with potentially issuing refunding bonds for savings. The District may incur other financial obligations 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.
PAYMENT RECORD	The District has never defaulted on the payment of its bonded indebtedness.
DELIVERY	When issued, anticipated to occur on or about March 3, 2026.
LEGALITY	The Bonds are subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Austin, Texas, Bond Counsel. See "APPENDIX D - Form of Opinion of Bond Counsel" herein.

OFFICIAL STATEMENT

relating to

\$71,850,000

NEW BRAUNFELS INDEPENDENT SCHOOL DISTRICT

(A political subdivision of the State of Texas located in Comal and Guadalupe Counties, Texas)

UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2026

INTRODUCTION

This Official Statement of the New Braunfels Independent School District (the "District") is provided to furnish certain information in connection with the sale of the District's \$71,850,000 Unlimited Tax School Building Bonds, Series 2026 (the "Bonds").

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 historical 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 such financial and other information, will necessarily continue or be repeated in the future.

This Official Statement, which includes the cover page and the appendices hereto, provides certain 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 from the District and, during the offering period, from the District's Financial Advisor, SAMCO Capital Markets, Inc., 1020 N.E. Loop 410, Suite 640, San Antonio, Texas 78209, by electronic mail or upon payment of reasonable copying, mailing, and handling charges.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of the Official Statement pertaining to the Bonds will be filed by the Underwriters with the Municipal Securities Rulemaking Board through its Electronic Municipal Markets Access ("EMMA") system. See "CONTINUING DISCLOSURE" herein for a description of the District's undertaking to provide certain information on a continuing basis. Capitalized terms used, but not defined herein, shall have the meanings ascribed thereto in the Order (defined below).

THE BONDS

General Description

The Bonds will be dated February 15, 2026 (the "Dated Date") and will accrue interest from the Dated Date, and such interest shall be payable on February 1 and August 1 in each year, commencing August 1, 2026, until stated maturity or prior redemption. The Bonds will mature on the dates and in the principal amounts and will bear interest at the rates set forth on page -ii- of this Official Statement.

Interest on the Bonds is payable to the registered owners appearing on the bond registration books kept by the Paying Agent/Registrar (identified herein) relating to the Bonds (the "Bond Register") on the Record Date (identified below) and such interest shall be paid by the Paying Agent/Registrar (i) by check sent by United States mail, first class, postage prepaid, to the address of the registered owner recorded in the Bond Register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. The principal of the Bonds is payable at stated maturity or prior redemption upon their presentation and surrender to the Paying Agent/Registrar. The Bonds will be issued only in fully registered form in any integral multiple of \$5,000 principal for any one maturity.

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 herein. **No physical delivery of the Bonds will be made to the owners thereof.** Notwithstanding the foregoing, as long as the Bonds are held in the Book-Entry-Only System, principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners (defined herein) of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Authority for Issuance

The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Sections 45.001 and 45.003(b)(1), as amended, Texas Education Code, Chapter 1371, as amended, Texas Government Code ("Chapter 1371"), an election held in the District on May 4, 2024 (the "Election"), and an order authorizing the issuance of the Bonds (the "Order") adopted by the Board of Trustees (the "Board") of the District on January 12, 2026.

As permitted by the provisions of Chapter 1371, the Board, in the Order, delegated the authority to certain District officials (each an "Authorized Official") to execute an approval certificate (the "Approval Certificate") establishing the final pricing terms for the Bonds. The Approval Certificate was executed by an Authorized Official on February 12, 2026.

Security for Payment

The Bonds constitute direct obligations of the District payable from the proceeds of an annual ad valorem tax levied against all taxable property located therein, without any legal limitation as to rate or amount, as provided in the Order. Additionally, the District has made application to and received from the Texas Education Agency conditional approval for the payment of the Bonds to be guaranteed by the corpus of the Permanent School Fund of the State (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").

Use of Proceeds

The proceeds of the Bonds (which include certain net premium allocations) represent the second installment of voted bonds (described below) approved at the Election. See "VALUATION AND DEBT DATA - Authorized but Unissued General Obligation Bonds" attached hereto as APPENDIX A.

A summary of the bonds authorized at said Election is as follows:

Purpose	Amount Authorized	Amount Previously Issued	Amount This Issue*	Amount Remaining
Proposition A: designing, constructing, renovating, improving, upgrading, updating, acquiring, and equipping school facilities (and any necessary or related removal of existing facilities), including the completion of the New Braunfels High School replacement project and District-wide improvements, the purchase of the necessary sites for school facilities, the purchase of school buses, and the retrofitting of school buses with emergency, safety, or security equipment.	\$267,500,000	\$102,400,000	\$56,655,000	\$108,445,000
Proposition B: designing, constructing, renovating, improving, upgrading, updating, acquiring, and equipping sports stadiums in the District, including renovations to Unicorn Stadium and a new Long Creek High School Stadium (and any necessary or related removal of existing facilities).	\$ 42,500,000	\$ 22,600,000	\$18,345,000	\$ 1,555,000
Proposition C: acquiring and updating instructional technology equipment.	<u>\$ 3,000,000</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 3,000,000</u>
Total	\$313,000,000	\$125,000,000	\$75,000,000	\$113,000,000

* Includes certain premium allocated toward the voted authorization.

Future Issues

After the issuance of the Bonds, the District will have \$113,000,000 in authorized but unissued unlimited ad valorem tax supported bonds. The District anticipates the issuance of the next installment of bonds from the current authorization in the next 12-18 months along with potentially issuing refunding bonds for savings. The District may incur other financial obligations 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.

Permanent School Fund Guarantee

The District has received conditional approval from the Texas Education Agency (the "TEA") for the payment of principal of and interest on the Bonds to be guaranteed under the Permanent School Fund Guarantee Program which guarantee will automatically become effective when the Attorney General of Texas approves the Bonds.

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.

Payment Record

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

Legality

The Bonds are subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Austin, Texas, as Bond Counsel. The legal opinion of Bond Counsel will accompany the bond certificates deposited with DTC or be printed on the Bonds. The form of the legal opinion of Bond Counsel appears in APPENDIX D attached hereto.

Delivery

When issued; anticipated to occur on or about March 3, 2026.

Redemption Provisions of the Bonds

The District reserves the right to redeem the Bonds maturing on and after February 1, 2036, at the option of the District, in whole or in part, in the principal amount of \$5,000 or any integral multiple thereof, on February 1, 2035 or any date thereafter, at the redemption price of par plus accrued interest to the date of redemption.

Mandatory Redemption

The Bond maturing on February 1, 2053 (the “Term Bond”) is also subject to mandatory sinking fund redemption prior to stated maturity from moneys required to be deposited into the interest and sinking fund for the Bond (the “Interest and Sinking Fund”) for such purpose and shall be redeemed in part, by lot or other customary method, at the principal amount thereof plus accrued interest to the date of redemption in the following principal amounts on February 1 in each of the years as set forth below:

Term Bond Maturing February 1, 2053	
Mandatory Redemption	Principal Amount
February 1, 2052	\$ 7,765,000
February 1, 2053*	9,705,000

*Stated Maturity.

The principal amount of a Term Bond required to be redeemed pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the District, by the principal amount of any Term Bond of such stated maturity which, at least 50 days prior to the mandatory sinking fund redemption date, (1) shall have been defeased or acquired by the District and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the District with money in the Interest and Sinking Fund, or (3) shall have been redeemed pursuant to the optional redemption provisions described above and not theretofore credited against a mandatory sinking fund redemption requirement.

Selection of Bonds for Redemption

If less than all of the Bonds are to be redeemed, the District shall determine the amounts and maturities thereof to be redeemed and shall direct the Paying Agent/Registrar to select by lot the Bonds, or portions thereof, to be redeemed.

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 each registered owner of a Bond to be redeemed, in whole or in part, at the address of the holder appearing on the Bond Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER ONE OR MORE BONDHOLDERS FAILED TO RECEIVE SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

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

Defeasance

Any Bond will be deemed paid and shall no longer be considered to be outstanding within the meaning of the Order when payment of the principal of and interest on such Bond to its stated maturity or redemption date will have been made or will have been provided by depositing with the Paying Agent/Registrar or an authorized escrow agent, (1) cash in an amount sufficient to make such payment, (2) Government Obligations (defined below) of such maturities and interest payment dates and bearing such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment, or (3) a combination of cash and Government Obligations. The foregoing deposits shall be certified as to sufficiency by an independent accounting firm, the District's Financial Advisor, the Paying Agent/Registrar, or such other qualified financial institution (as provided in the Order).

The Order provides that "Government Obligations" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, or (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District authorizes the defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent. There is no assurance that the ratings for U.S. Treasury securities acquired to defease any Bonds, or those for any other Government Obligations, will be maintained at any particular rating category.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, the District has the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption at an earlier date those Bonds which have been defeased to their maturity date, if the District (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption, (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements, and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

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

Amendments

The District may amend the Order without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the District may, with the written consent of the holders of a majority in aggregate principal amount of the Bonds then outstanding, amend, add to, or rescind any of the provisions of the Order; except that, without the consent of all of the registered owners of the Bonds then outstanding, no such amendment, addition, or rescission may (1) change the date specified as the date on which the principal of or any installment of interest on any Bond is due and payable, reduce the principal amount, the redemption price therefor, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the percentage of the aggregate principal amount of Bonds required to be held for consent to any amendment, addition, waiver, or rescission.

Default and Remedies

If the District defaults in the payment of principal, interest or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Order, and the State fails to honor the Permanent School Fund Guarantee as hereinafter discussed, the registered owners may seek a writ of mandamus to compel District officials to carry out their legally imposed duties with respect to the Bonds, if there is no other available remedy at law to compel performance of the Bonds or the Order and the District's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily

refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the registered owners upon any failure of the District to perform in accordance with the terms of the Order, or upon any other condition and, accordingly, all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Chapter 1371, which pertains to the issuance of public securities by issuers such as the District, permits the District to waive sovereign immunity in the proceedings authorizing the issuance of the Bonds. Notwithstanding its reliance upon the provisions of Chapter 1371 in connection with the issuance of the Bonds (as further described under the caption "THE BONDS - Authority for Issuance"), 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. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the United States Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it (see "APPENDIX E - The Permanent School Fund Guarantee Program" herein for a description of the procedures to be followed for payment of the Bonds by the Permanent School Fund in the event the District fails to make a payment on the Bonds when due). 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 and general principles of equity which permit the exercise of judicial discretion.

SOURCES AND USES OF FUNDS

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

<u>Sources of Funds:</u>	
Par Amount of Bonds	\$ 71,850,000.00
Net Reoffering Premium on the Bonds	3,788,394.65
Accrued Interest	<u>174,165.63</u>
Total Sources	\$75,812,560.28
<u>Uses of Funds:</u>	
Deposit to Construction Fund	\$75,000,000.00
Deposit to Bond Fund (including accrued interest)	174,165.63
Underwriters' Discount	385,603.27
Costs of Issuance and Contingency	<u>252,791.38</u>
Total Uses	\$75,812,560.28

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. The Bonds will be issued in fully registered form in multiples of \$5,000 or integral multiple thereof for any one stated maturity, and principal and interest will be paid by the Paying Agent/Registrar.

Successor Paying Agent/Registrar

The District covenants that until the Bonds are paid it will at all times maintain and provide a paying agent/registrar. In the Order, the District retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new Paying Agent/Registrar must accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the District must be a bank, trust company, financial institution or other entity duly qualified and legally authorized to serve and perform the duties of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District will promptly cause a notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall give the address of the new Paying Agent/Registrar.

Record Date

The record date ("Record Date") for determining the registered owner entitled to receive a payment of interest on a Bond is the fifteenth day of the month next preceding each interest payment date. If the date for the payment of the principal of or interest on, or redemption price of, the Bonds shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

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. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each registered owner of a Bond appearing on the Bond Register at the close of business on the last business day next preceding the date of mailing of such notice.

Registration, Transferability and Exchange

In the event the Book-Entry-Only System shall be discontinued, printed certificates will be issued to the registered owners of the Bonds and thereafter the Bonds may be transferred, registered, and assigned on the Bond Register 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 Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bonds being transferred or exchanged at the designated office of the Paying Agent/Registrar or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. New Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in authorized denominations and for a like kind and aggregate principal amount and having the same maturity or maturities as the Bond or Bonds surrendered for exchange or transfer. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

Limitation on Transfer of Bonds

Neither the District nor the Paying Agent/Registrar shall be required to make any such transfer, conversion or exchange (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date; provided, however, that such limitation shall not apply to uncalled portions of a Bond redeemed in part.

Replacement Bonds

In the event the Book-Entry-Only System has been discontinued, and any Bond is mutilated, destroyed, stolen or lost, a new Bond of like kind and in the same maturity and 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 evidence satisfactory to establish to the District and the Paying Agent/Registrar that such Bond has been destroyed, stolen or lost and proof of the ownership thereof, and (b) upon furnishing the District and the Paying Agent/Registrar with bond or indemnity satisfactory to them. The person requesting the authentication and delivery of a new Bond must comply with such other reasonable regulations as the Paying Agent/Registrar may prescribe and pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

BOOK-ENTRY-ONLY SYSTEM

The following describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC (defined below) 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 Financial Advisor and the Underwriters believe the source of such information to be reliable but take no responsibility for the accuracy or completeness thereof.

The District cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption, or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption, or other notices, to the Beneficial

Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

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

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

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

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

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts upon DTC’s receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on the payment date in accordance with

their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC [nor its nominee], the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the District or the Paying Agent/Registrar. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but none of the District, the Financial Advisor, or the Underwriters takes any responsibility for the accuracy thereof.

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.

Effect of Termination of the 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 physical Bond certificates will be issued to the respective holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Order and summarized under the caption "REGISTRATION, TRANSFER AND EXCHANGE" above.

AD VALOREM PROPERTY TAXATION

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

Valuation of Taxable Property

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

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

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

decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value.

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

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

State Mandated Homestead Exemptions

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

The following increases were approved pursuant to legislation passed by both houses of the Legislature during the 89th Regular Session and voter approval at a Statewide election held on November 4, 2025: (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 (see "Current Public School Finance System 2025 Legislative Session").

Local Option Homestead Exemptions

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

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

State Mandated Freeze on School District Taxes

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

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

Freeport and Goods-In-Transit Exemptions

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

Certain goods, that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days ("Goods-in-Transit"), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer's motor vehicle, boat, or heavy equipment inventory.

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

Other Exempt Property

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

Temporary Exemption for Qualified Property Damaged by a Disaster

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

Tax Increment Reinvestment Zones

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

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

Tax Limitation Agreements

The Texas Economic Development Act (Chapter 313, Texas Tax Code, as amended), 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. The 87th Texas Legislature did not vote to extend this program, which expired by its terms, effective December 31, 2022 (See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - State Funding for School Districts").

During the Regular Session of the 88th Texas Legislature, House Bill 5 ("HB 5" of "The Texas Jobs, Energy, Technology, and Innovation Act") was adopted to create an economic development program, subject to state oversight, which would attract jobs and investment to Texas through school district property tax abatement agreements with businesses. HB5 was codified as Chapter 403, Subchapter T, Texas Government Code ("Chapter 403T"). 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 maintenance and operations property taxes for certain eligible projects, except that projects in a federally designated economic opportunity zone receive a 75% abatement. HB 5 also provides a 100% abatement of maintenance and operations taxes for eligible property during a project’s construction period. **Taxable valuation for purposes of the debt services taxes securing the Bonds cannot be abated under Chapter 403T.** Eligible projects must involve manufacturing, dispatchable power generation facilities, technology research/development facilities, or critical infrastructure projects and projects must create and maintain jobs, as well as meet certain minimum investment requirements. The effective date of Chapter 403T was January 1, 2024, and the District is still in the process of reviewing Chapter 403T and cannot make any representations as to what impact, if any, Chapter 403T will have on its finances or operations.

For a discussion of how the various exemptions described above are applied by the District, see “AD VALOREM PROPERTY TAXATION - The Property Tax Code as Applied to the District” herein.

Tax Abatement Agreements

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

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” below.

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. For the 2026 tax year, the minimum eligibility amount was set at \$62,883,169 and is adjusted annually by the State Comptroller to reflect the inflation rate.

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

Levy and Collection of Taxes

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

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 District grants the state mandated exemption to the market value of residence homesteads of \$140,000.

The District grants an exemption to the market value of the residence homestead of persons 65 years of age or older of \$60,000; the disabled are also granted an exemption of \$10,000, an additional \$3,750 if over 65 or disabled, for a total exemption of \$13,750.

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

The District does not tax non-business personal property; and the Comal County Tax Assessor-Collector collects the District's taxes.

The District does not permit split payments or discounts. Installments are allowed under provisions of the Texas Property Tax Code.

The District has a policy for entering into value limitation agreements.

The District has not granted the freeport property tax-exemption; however, the District adopted a resolution on November 12, 2007 to continue taxation of "goods-in-transit" for the 2008 tax year and beyond. On November 21, 2011, the District took official action to continue the taxation of "goods-in-transit" in tax year 2012 and beyond.

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

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

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

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

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

2025 LEGISLATIVE SESSION . . . The regular session of the 89th Texas Legislature (the “Legislature”) commenced on January 14, 2025 and concluded on June 2, 2025 (the “89th Regular Session”). The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor 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.

During the 89th Regular Session, the Legislature considered a general appropriations act and legislation affecting the Finance System and ad valorem taxation procedures and exemptions, and investments, among other legislation affecting school districts and the administrative agencies that oversee school districts. Pursuant to voter approval at a Statewide election held on November 4, 2025 and legislation passed by both houses of the Legislature, the following will increase: (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. Additionally, the Legislature passed legislation that authorizes roughly \$8.5 billion in funding for public schools and provides districts with a \$55 per-student increase to their base funding beginning September 1, 2025, as well as providing districts with additional funding for teacher and staff salaries, educator preparation, special education, safety requirements and early childhood learning. Finally, legislation passed by the Legislature and signed into law by the

Governor will create an education savings account program (commonly referred to as vouchers) for students that attend private schools or home school. The legislation became effective September 1, 2025, 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 re-appropriate funds for the program for each subsequent State fiscal biennium. Such program could impact attendance in the District by incentivizing students to homeschool or attend private schools, which could negatively affect the District's attendance-based funding.

The District is still in the process of reviewing legislation passed during the 89th Regular Session. At this time, the District cannot make any representations as to the full impact of such legislation. Further, the District can make no representations or predictions regarding the scope of legislation that may be considered in any special session or future session of the Legislature or the potential impact of such legislation at this time, but it intends to monitor applicable legislation related thereto.

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

State Compression Percentage. The State Compression Percentage (the "SCP") is a statutorily-defined percentage of the rate of \$1.00 per \$100 that is used to determine a school district's Maximum Compressed Tax Rate (described below). The State Compression Percentage 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 (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 school district's current year SCP multiplied by \$1.00; or (2) a percentage determined by formula if the school district experienced a year-over-year increase in property value of at least 2.5% (if the increase in property value is less than 2.5%, then MCR is equal to the prior year MCR). However, each year the TEA shall evaluate the MCR for each school district in the State, and for any given year, if a school district's MCR is calculated to be less than 90% of any other school district's MCR for the current year, then the school district's MCR is instead equal to the school district's prior year MCR, until TEA determines that the difference between the school district's MCR and any other school district's MCR is not more than 10%. These compression formulas are intended to more closely equalize local generation of Tier One funding among districts with disparate tax bases and generally reduce the Tier One Tax Rates of school districts as property values increase. During the 2025 Legislative 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 shall calculate and make available the rates as if the increase in the residence homestead exemption under Section 1-b(c), Article VIII, Texas Constitution, as proposed by the 89th Legislature, Regular Session, 2025, took effect. Such calculation for the 2025-2026 school year expires September 1, 2026. Pursuant to voter approval at a Statewide election held on November 4, 2025, the residential homestead exemption under Section 1-b(c), Article VIII, Texas Constitution will 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. The constitutional amendment took effect for the tax year beginning January 1, 2025.

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

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

School districts may levy an Enrichment Tax Rate at a level of their choice, subject to the limitations described under "TAX RATE LIMITATIONS - Public Hearing and Voter-Approval Tax Rate." However, to levy any of the Enrichment Tax Rate in a given year, a school district must levy a Tier One Tax Rate equal to the school district's MCR. 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 “– State Funding for School District – Tier Two” herein.

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

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

The Finance System also provides an Existing Debt Allotment (“EDA”) to subsidize debt service on eligible outstanding school district bonds, an Instructional Facilities Allotment (“IFA”) to subsidize debt service on newly issued bonds, and a New Instructional Facilities Allotment (“NIFA”) to subsidize operational expenses associated with the opening of a new instructional facility. IFA primarily addresses the debt service needs of property-poor school districts. For the 2026-2027 State fiscal biennium, the Legislature appropriated funds in the amount of \$1,072,511,740 for the EDA, IFA, and NIFA. Tier One and Tier Two allotments represent the State's share of the cost of M&O expenses of school districts, with local M&O taxes representing the school district's local share. EDA and IFA allotments supplement a school district's local I&S taxes levied for debt service on eligible bonds issued to construct, acquire and improve facilities, provided that a school district qualifies for such funding and that the Legislature makes sufficient appropriations to fund the allotments for a State fiscal biennium. Tier One and Tier Two allotments and existing EDA and IFA allotments are generally required to be funded each year by the Legislature.

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

The Basic Allotment for 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, (iii) a college, career and military readiness allotment to further the State's goal of increasing the number of students who attain a post-secondary education or workforce credential, and (iv) a teacher compensation incentive allotment to increase teacher retention in disadvantaged or rural school districts. A school district's total Tier One funding divided by the district's Basic Allotment is a school district's measure of students in “Weighted Average Daily Attendance” (“WADA”), which serves to calculate Tier Two funding.

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

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

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

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

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

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

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

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

LOCAL REVENUE LEVEL IN EXCESS OF ENTITLEMENT . . . A school district that has sufficient property wealth per student in ADA to generate local revenues on the school district's Tier One Tax Rate and Copper Pennies in excess of the school district's respective funding entitlements (a "Chapter 49 school district"), is subject to the local revenue reduction provisions contained in Chapter 49 of Texas Education Code, as amended ("Chapter 49"). Additionally, in years in which the amount of State funds appropriated specifically excludes the amount necessary to provide the guaranteed yield for Golden Pennies, local revenues generated on a school district's Golden Pennies in excess of the school district's respective funding entitlement are subject to the local revenue reduction provisions of Chapter 49. To reduce local

revenue in excess of entitlement, Chapter 49 school districts are generally subject to a process known as “recapture,” which requires a Chapter 49 school district to exercise certain options to remit local M&O tax revenues collected in excess of the Chapter 49 school district’s funding entitlements to the State (for redistribution to other school districts) or otherwise expending the respective M&O tax revenues for the benefit of students in school districts that are not Chapter 49 school districts, as described in the subcaption “– Options for Local Revenue Levels in Excess of Entitlement,” below. Chapter 49 school districts receive their allocable share of funds distributed from the constitutionally-prescribed Available School Fund, but are generally not eligible to receive State aid under the Foundation School Program, although they may continue to receive State funds for certain competitive grants and certain programs that remain outside the Foundation School Program.

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

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

THE SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT

For the 2025-2026 fiscal 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 (through netting against Chapter 48 funding, reducing the foundation allotment) pursuant to Chapter 49, Texas Education Code, as amended (see “CURRENT PUBLIC SCHOOL FINANCE SYSTEM - Local Revenue in Excess of Entitlement” herein).

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

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

TAX RATE LIMITATIONS

M&O Tax Rate Limitations

The District is authorized to levy an M&O tax rate pursuant to the approval of the voters of the District at an election held on December 10, 1994, in accordance with the provisions of Chapter 20, Texas Education Code (now codified at Section 45.003, Texas Education Code, as amended). The maximum maintenance tax rate per \$100 of taxable value that may be adopted by an independent school district is the sum of \$0.17 and the school district's MCR. The District's MCR is, generally, inversely proportional to the change in taxable property values both within the District and the State, and is subject to recalculation annually. For any year, highest possible MCR for an independent school district is \$0.93.

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

I&S Tax Rate Limitations

A school district is also authorized to issue bonds and levy taxes for payment of bonds subject to voter approval of a proposition 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 school district bonded indebtedness (see "THE BONDS - Security for Payment").

Section 45.0031, Texas Education Code, as amended ("Section 45.0031"), requires a 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 district voters 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 district may take into account EDA and IFA allotments to the district, which effectively reduce the district's local share of debt service, and may also take into account Tier One funds allotted to the 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 therefore subject to the threshold tax rate test. The District has not used projected property values or State assistance (other than EDA or IFA allotment funding) to satisfy this threshold test.

Public Hearing and Voter-Approval Tax Rate

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

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

The Voter-Approval Tax Rate for a school district is the sum of (i) the school district's MCR; (ii) the greater of (a) the school district's Enrichment Tax Rate for the preceding year, less any amount by which the school district is required to reduce its current year Enrichment Tax Rate pursuant to Section 48.202(f), Education Code, as amended, or (b) the rate of \$0.05 per \$100 of taxable value; and (iii) the school district's current I&S tax rate. A school district's M&O tax rate may not exceed the rate equal to the sum of (i) \$0.17 and (ii) the school district's MCR (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" herein, for more information regarding the State Compression Percentage, MCR, and the Enrichment Tax Rate).

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

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

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

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

EMPLOYEE BENEFITS, RETIREMENT PLAN AND OTHER POST-EMPLOYMENT BENEFITS

The District contributes to the Teacher Retirement System of Texas (the "TRS"), a public employee retirement system. Aside from the District's contribution to the TRS, the District has no pension fund expenditures or liabilities, except for the proportionate share of (i) net pension liability under GASB Statement No. 68, and (ii) net other post-employment benefit under GASB Statement No. 75. See Notes to the Financial Statements, "Note 8 - Defined Benefit Pension Plan," in the audited financial statements of the District for the fiscal year ended June 30, 2025 as set forth in APPENDIX C hereto.

The District participates in TRS-Care, a multiple-employer, cost-sharing defined benefit OPEB plan that has a special funding situation. TRS-Care is administered through a trust by TRS Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575. TRS-Care provides a basic health insurance coverage, TRS-Care 1 (the "Basic Plan") at no cost to all retirees from public schools, charter schools, regional education service centers, and other educational districts who are members of TRS. Optional dependent coverage is available for an additional fee. See Notes to the Financial Statements, "Note 9 - Defined Other Post Employment Benefit Plan," in the audited financial statements of the District for the fiscal year ended June 30, 2025 as set forth in APPENDIX C hereto.

INVESTMENT POLICIES

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

Legal Investments

Under State law and subject to certain limitations, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3)

collateralized mortgage obligations issued and secured by a federal agency or instrumentality of the United States; (4) other obligations unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies and instrumentalities; (5) "A" or better rated obligations of states, agencies, counties, cities, and other political subdivisions of any state; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) federally insured interest-bearing bank deposits, brokered pools of such deposits, and collateralized certificates of deposit and share certificates; (8) fully collateralized United States government securities repurchase agreements; (9) one-year or shorter securities lending agreements secured by obligations described in clauses (1) through (7) above or (11) through (14) below or an irrevocable letter of credit issued by an "A" or better rated state or national bank; (10) 270-day or shorter bankers' acceptances, if the short-term obligations of the accepting bank or its holding company are rated at least "A-1" or "P-1"; (11) commercial paper rated at least "A-1" or "P-1"; (12) SEC-registered no-load money market mutual funds that are subject to SEC Rule 2a-7; (13) SEC-registered no-load mutual funds that have an average weighted maturity of less than two years; (14) "AAA" or "AAA^m"-rated investment pools that invest solely in investments described above; (15) in the case of bond proceeds, guaranteed investment contracts that are secured by obligations described in clauses (1) through (7) above and, except for debt service funds and reserves, have a term of 5 years or less; and (16) aggregate repurchase agreement transactions entered into by an investing entity in conformity with the provisions of subsections (a-1), (f), and (g) of Section 2256.011 of the Public Funds Investment Act.

The District may not, however, invest in (1) interest only obligations, or non-interest bearing principal obligations, stripped from mortgage-backed securities; (2) collateralized mortgage obligations that have a remaining term that exceeds 10 years; and (3) collateralized mortgage obligations that bear interest at an index rate that adjusts opposite to the changes in a market index. In addition, the District may not invest more than 15% of its monthly average fund balance (excluding bond proceeds and debt service funds and reserves) in mutual funds described in clause (13) above or make an investment in any mutual fund that exceeds 10% of the fund's total assets.

Except as stated above or inconsistent with its investment policy, the District may invest in obligations of any duration without regard to their credit rating, if any. If an obligation ceases to qualify as an eligible investment after it has been purchased, the District is not required to liquidate the investment unless it no longer carries a required rating, in which case the District is required to take prudent measures to liquidate the investment that are consistent with its investment policy.

As a school district that qualifies as an "issuer" under Chapter 1371, the District may also invest up to 15% of its monthly average fund balance (excluding bond proceeds and debt service funds and reserves) in "AA-" or better rated corporate bonds with a remaining term of three years or less. Not more than 25% of its funds invested in corporate bonds may be invested in any single issuer and its affiliates. Corporate bonds must be sold if downgraded below the required rating or placed on negative credit watch.

Investment Policies

Under State law, the District is required to adopt and annually review written investment policies and must invest its funds in accordance with its policies. The policies must identify eligible investments and address investment diversification, yield, maturity, and the quality and capability of investment management. For investments whose eligibility is rating dependent, the policies must adopt procedures to monitor ratings and liquidate investments if and when required. The policies must require that all investment transactions settle on a delivery versus payment basis. The District is required to adopt a written investment strategy for each fund group to achieve investment objectives in the following order of priority: (1) suitability, (2) preservation and safety of principal, (3) liquidity, (4) marketability, (5) diversification, and (6) yield.

State law requires the District's investments 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." The District is required to perform an annual audit of the management controls on investments and compliance with its investment policies and provide regular training for its investment officers.

Current Investments*

As of December 31, 2025 the following percentages of the District's investable funds were invested as indicated below.

<u>Category of Investments</u>	<u>Amount</u>	<u>Percentage</u>	<u>Term of Investments</u>
Investment Pools	\$187,61,495	100.00%	Daily Liquidity

* Unaudited.

As of such date, the market value of such investments (as determined by the District by reference to published quotations, dealer bids, and comparable information) was approximately 100% of their book value. No funds of the District are invested in derivative securities, *i.e.*, securities whose rate of return is determined by reference to some other instrument, index, or commodity.

LEGAL MATTERS

Legal Opinions and No-Litigation Certificate

The District will furnish the Underwriters a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Bonds are valid and legally binding obligations of the District, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Bonds are valid and legally binding obligations of the District and, subject to the qualifications set forth herein under "TAX MATTERS," the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under existing statutes, published rulings, regulations, and court decisions. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under the captions "THE BONDS" (exclusive of the subcaptions "Payment Record," "Permanent School Fund Guarantee," and "Default and Remedies," as to which no opinion is expressed), "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS," "CURRENT PUBLIC SCHOOL FINANCE SYSTEM," "TAX RATE LIMITATIONS" (first paragraph only), "LEGAL MATTERS - Legal Opinions and No-litigation Certificate" (excluding the last two sentences of the first paragraph thereof, as to which no opinion is expressed), "TAX MATTERS," "CONTINUING DISCLOSURE" (excluding the information under the subcaption "Compliance with Prior Agreements," as to which no opinion is expressed), "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," and "OTHER PERTINENT INFORMATION - Registration and Qualification of Bonds for Sale" in the Official Statement and such firm is of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions is an accurate description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Order. 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. Bond Counsel's legal opinion will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry Only System. Certain legal matters will be passed upon for the Underwriters by their counsel, McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, whose compensation is contingent on the sale and delivery of the Bonds. McCall, Parkhurst & Horton L.L.P. also advises the TEA in connection with its disclosure obligations under federal securities laws, but such firm has not passed upon any TEA disclosures in this Official Statement.

Though it represents the Financial Advisor and the Underwriters from time to time in matters unrelated to the Bonds, Bond Counsel has been engaged by and only represents the District with respect to the issuance of the Bonds. The legal opinion to be delivered concurrently with the delivery of the Bonds expresses the professional judgment of the attorneys rendering the opinion as to the legal issues expressly 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 from the transaction.

Litigation

In the opinion of various officials of the District, except as disclosed in this Official Statement, there is no litigation or other proceeding pending against or, to their knowledge, threatened against the District in any court, agency, or administrative body (either state or federal) wherein an adverse decision would materially adversely affect the financial condition of the District.

At the time of the initial delivery of the Bonds, the District will provide the Underwriters with a certificate to the effect that no litigation of any nature has been filed or is then pending challenging the issuance of the Bonds or that affects the payment and security of the Bonds or in any other manner questioning the issuance, sale, or delivery of the Bonds.

TAX MATTERS

Tax Exemption

The delivery of the Bonds is subject to the opinion of Norton Rose Fulbright US LLP, Austin, Texas, Bond Counsel, to the effect that interest on the Bonds for federal income tax purposes (1) will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), of the owners thereof pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change. A form of Bond Counsel's opinion appears in APPENDIX D hereto.

In rendering the foregoing opinions, Bond Counsel will rely upon representations and certifications of the District made in a certificate dated the date of delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance by the District with the provisions of the Order subsequent to the issuance of the Bonds. The Order contains covenants by the District with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed or refinanced therewith by persons other than state or local

governmental units, the manner in which the proceeds of the Bonds are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage “profits” from the investment of the proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

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

Tax Changes

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

Ancillary Tax Consequences

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

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

Tax Accounting Treatment of Discount Bonds

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

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

who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

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

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

Tax Accounting Treatment of Premium Bonds

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

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

CONTINUING DISCLOSURE

The District in the Order has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board ("MSRB"). This information will be available to the public free of charge from the MSRB via the EMMA system at www.emma.msrb.org, as further described below under "Availability of Information from MSRB".

Annual Reports

The District will file certain updated financial information and operating data with the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement in APPENDIX A, attached hereto, exclusive of the tables reflecting "Direct and Estimated Gross Overlapping Funded Debt Payable from Ad Valorem Taxes," "Estimated Interest & Sinking Fund Management Index 2025/26" and "2026/2027 Pro Forma Interest & Sinking Fund Management Index," respectively, and in APPENDIX C attached hereto. Additionally, the tables which provide neither quantitative financial information nor operating data for the District, including, but not limited to "Authorized but Unissued General Obligation Bonds" and

“Anticipated Issuance of Additional Bonds,” have not been and will not be included in the District’s annual filings. The District will update and provide this information to the MSRB within 6 months after the end of each fiscal year ending in or after 2026.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the United States Securities and Exchange Commission (the “SEC”) Rule 15c2-12 (the “Rule”). 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 statements by the required time and audited financial statements when and if such audited financial statements become available. Any such 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 June 30. Accordingly, it must provide updated information by the last day of December in each year, unless it changes its fiscal year. If the District changes its fiscal year, it will file notice of such change with the MSRB.

Notice of Certain Events

The District will file with the MSRB notice of any of the following events with respect to the Bonds in a timely manner (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 any such Financial Obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any 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 (with the exception of the Texas Permanent School Fund guarantee), or liquidity enhancement. In the Order, the District adopted policies and procedures to ensure timely compliance of its continuing disclosure undertakings. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under “Annual Reports”. The District will provide each notice described in this paragraph to the MSRB.

For these purposes, (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 and (b) the District intends the words used in the immediately preceding clauses (15) and (16) and in the definition of Financial Obligation above to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

Availability of Information from MSRB

All information and documentation filing required to be made by the District in accordance with its undertaking made for the Bonds will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB.

Limitations and Amendments

The District has agreed to update information and to provide notices of specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part

from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders or beneficial owners of 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 Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent or (b) any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The District may also repeal or amend these provisions if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but in either case 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 giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. If the District amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

Compliance with Prior Agreements

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

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.

OTHER PERTINENT INFORMATION

Authenticity of Financial 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. All of the summaries of the statutes, documents and orders contained in this Official Statement are made subject to all of the provisions of such statutes, documents and orders. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

Registration and Qualification of Bonds for Sale

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

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

Municipal Bond Rating

S&P Global Ratings ("S&P") has assigned its municipal bond rating of "AAA" to the Bonds based on the guarantee thereof by the Texas Permanent School Fund. In addition, S&P has assigned its underlying unenhanced rating of "AA" to the District's ad valorem tax-supported indebtedness, including the Bonds.

An explanation of the significance of any rating may be obtained from the company furnishing the rating. The rating reflects only the view of such organization and the District makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

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

Financial Advisor

SAMCO Capital Markets, Inc. (the "Financial Advisor") is employed as the Financial Advisor to the District in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. SAMCO Capital Markets, Inc., in its capacity as Financial Advisor, has relied on the opinions of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants, and representations contained in any of the bond documentation with respect to the federal income tax status of the Bonds. In the normal course of business, the Financial 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 Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Underwriting

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the District at a price equal to the initial offering prices to the public, as shown on page -ii- hereof, less an underwriting discount of \$385,603.27, plus accrued interest from their Dated Date to their date of initial delivery. The Underwriters' obligations are subject to certain conditions precedent. The Underwriters 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 price, and such public prices may be changed from time to time, by the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in 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.

Piper Sandler & Co., an underwriter of the Bonds, has entered into a distribution agreement ("Distribution Agreement") with Charles Schwab & Co., Inc. ("CS&Co") for the retail distribution of certain securities offerings including the Bonds, at the original issue prices. Pursuant to the Distribution Agreement, CS&Co. will purchase Bonds from Piper at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that CS&Co. sells.

Certification of the Official Statement

At the time of payment for and delivery of the Initial Bond, the Underwriters will be furnished a certificate, executed by proper officials of the District, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements pertaining to the District contained in its Official Statement, and any addenda, supplement, or amendment thereto, for the Bonds, on the date of such Official Statement, on the date of sale of the Bonds, and on the date of the initial delivery of the Bonds, were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements including financial data, of or pertaining to entities, other than the District, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the District believes to be reliable and the District has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the District, since June 30, 2025, the date of the last financial statements of the District appearing in the 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.

Information from External Sources

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

Authorization of the Official Statement

No 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.

This Official Statement has been approved by the Board of the District for distribution in accordance with provisions of the SEC's Rule codified at 17 C.F.R. Section 240.15c2-12, as amended.

The Order approved the form and content of this Official Statement and any addenda, supplement or amendment thereto and authorized its further use in the reoffering of the Bonds by the Underwriters.

NEW BRAUNFELS INDEPENDENT SCHOOL DISTRICT

/s/ Eric Bergquist
President, Board of Trustees

ATTEST:

/s/ Steve Minus
Secretary, Board of Trustees

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APPENDIX A

**Selected Financial Information
of the District**

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VALUATION AND DEBT DATA

Assessed Valuation

Total 2025 Appraised Valuation of District	\$14,321,549,224
Less: Exemptions/Exclusions ⁽³⁾	<u>4,650,619,698</u>
Total 2025 Taxable Assessed Valuation ⁽¹⁾⁽²⁾	\$ 9,670,929,576

Source: Comal Appraisal District and Guadalupe Appraisal District certified values.

⁽¹⁾ For a detailed description of the Exemptions/Exclusions see "2025 Tax Exemptions/Exclusions Allowed" herein.

⁽²⁾ Includes property values under review.

⁽³⁾ The District has received communications, through its appraisal districts, that the Texas Comptroller has incorrect values for "over 65" values in the approximate amount of \$675,000,000 to be resolved. The District expects resolution of these values within the coming weeks.

Direct Debt Information*

Total Indebtedness Payable from Ad Valorem Taxes: (at 12-1-2025)	
Maintenance and Operations Tax Debt	\$ -0-
Unlimited Tax Bond Debt	<u>697,280,000</u> *
Total All Bonded Indebtedness Payable from Taxes	697,280,000 *
Less Estimated Interest & Sinking Fund Consolidated Balance (at 12-1-2025)	<u>4,092,243</u>
NET BONDED INDEBTEDNESS PAYABLE FROM AD VALOREM TAXES	\$693,187,757 *

* Includes the Bonds.

Direct Debt Ratios*

Ratio of Total Bonded Debt (\$697,280,000*) to 2025 Taxable Assessed Valuation (\$9,670,929,576) ⁽¹⁾	7.21%
Ratio of Total Bonded Debt (\$697,280,000*) to 2025 Total Appraised Valuation (\$14,321,549,224)	4.87%
Ratio of Net Bonded Debt (\$693,187,757*) to 2025 Taxable Assessed Valuation (\$9,670,929,576) ⁽¹⁾	7.16%
Ratio of Net Bonded Debt (\$693,187,757*) to 2025 Total Appraised Valuation (\$14,321,549,224)	4.84%

* Includes the Bonds.

⁽¹⁾ See footnote ⁽³⁾ above

Non-Funded Debt

Commitments Under Noncapitalized Leases. The District has various operating lease agreements where the future minimum payments are immaterial to the operations of the District and, accordingly, the District has elected not to disclose future payments by fiscal year.

Authorized But Unissued General Obligation Bonds

After the issuance of the Bonds, the District will have \$113,000,000 in authorized but unissued unlimited ad valorem tax-supported bonds.

Anticipated Issuance of Additional Bonds

The District anticipates the issuance of the next installment of bonds from the current authorization in the next 12 to 18 months along with potentially refunding bonds for debt service savings. The District may incur other financial obligations payable from its collection of taxes and other sources of revenue, 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.

Population and Per Capita Indebtedness

2025 District Population Estimate	68,224
2025 Per Capita Taxable Assessed Valuation (\$9,670,929,576) ⁽¹⁾	\$141,752.60
Per Capita Direct Bonded Debt (\$697,280,000*)	\$10,220.45

* Includes the Bonds.

⁽¹⁾ See footnote ⁽³⁾ above.

Enrollment and Average Daily Attendance Data

2025-26 Enrollment (at 12-1-2025)	9,658
2025-26 Estimated Average Daily Attendance (at 12-1-2025)	9,055
2025 Taxable Assessed Valuation (\$9,670,929,576) ⁽¹⁾ Per Enrollment	\$1,001,338.74

⁽¹⁾ See footnote ⁽³⁾ on page A-1.

Valuation and Bonded Debt Data

Area of District in Square Miles	75.70
Area of District in Acres	48,448
Total Direct Bonded Debt (\$697,280,000*) Per Acre	\$14,392.34
2025 Taxable Assessed Valuation (\$9,670,929,576) ⁽¹⁾ Per Acre	\$199,614.63
2025 Total Appraised Value (\$14,321,549,224) Per Acre	\$295,606.61

* Includes the Bonds.

⁽¹⁾ See footnote ⁽³⁾ on page A-1.

Outstanding Debt By Issues

	<u>Original Amount</u>	<u>Amount Outstanding at 2-11-2026⁽¹⁾</u>
Unlimited Tax Bonds:		
Refunding Bonds, Series 2015A	\$ 15,769,993	\$ 10,990,000 ⁽²⁾
School Building Bonds (Qualified School Construction Bonds), Series 2016	8,728,000	3,490,000
School Building and Refunding Bonds, Series 2016	47,300,000	33,220,000
School Building Bonds, Series 2017	18,400,000	16,425,000
School Building and Refunding Bonds, Series 2019	74,035,000	59,660,000
School Building and Refunding Bonds, Series 2020	47,542,233	37,080,000 ⁽²⁾
School Building and Refunding Bonds, Series 2021	35,425,000	33,085,000
School Building Bonds, Series 2022	132,120,000	119,565,000
School Building and Refunding Bonds, Series 2022B	193,555,000	189,570,000
School Building Bonds, Series 2024	125,000,000	122,345,000
School Building Bonds, Series 2026 (the "Bonds")	71,850,000	<u>71,850,000</u> ⁽³⁾
 Total Tax Debt		 \$697,280,000 ⁽³⁾

⁽¹⁾ Unaudited.

⁽²⁾ Includes the original amount, but not accreted value, of capital appreciation bonds.

⁽³⁾ Includes the Bonds.

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Consolidated Schedule Of Bonded Issue Principal Requirements*
(Year Ending June 30 In Each Of The Years 2026 - 2053 Inclusive)

2026	\$ 12,477,000	
2027	11,402,000	
2028	12,317,000	
2029	13,287,000	
2030	16,326,000	9.44%
	-	
2031	18,281,000	
2032	19,690,000	
2033	26,800,000	
2034	27,920,000	
2035	23,360,000	26.08%
	-	
2036	24,095,000	
2037	24,880,000	
2038	25,475,000	
2039	26,300,000	
2040	27,355,000	44.45%
	-	
2041	28,300,000	
2042	28,990,000	
2043	30,250,000	
2044	31,310,000	
2045	32,425,000	66.15%
	-	
2046	33,750,000	
2047	34,990,000	
2048	36,220,000	
2049	31,775,000	
2050	31,015,000	90.21%
	-	
2051	29,895,000	
2052	28,690,000	
2053	<u>9,705,000</u>	100.00%
	\$697,280,000	

* Includes the Bonds.

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Direct and Estimated Gross Overlapping Funded Debt Payable from Ad Valorem Taxes

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

Political Subdivision	Gross Debt		Percent Overlapping	Amount Overlapping
	Amount	As Of		
Comal County	\$ 96,300,000	12/31/2025	21.59%	\$ 20,791,170
Comal County WID #1A	62,815,675	12/31/2025	70.97%	44,580,284
Comal County WID #1D	8,055,274	12/31/2025	29.67%	2,390,000
Comal County WID #1F	459,051	12/31/2025	100.00%	459,051
Guadalupe County	5,405,000	12/31/2025	10.60%	572,930
Lake Dunlap WC&ID	35,740,000	12/31/2025	46.73%	16,701,302
City of New Braunfels	295,850,000	12/31/2025	55.19%	163,279,615
Estimated Overlapping Funded Debt				\$248,774,352
New Braunfels ISD	697,280,000 *	1231/2025	100.00%	697,280,000 *
Total Direct and Estimated Overlapping Funded Debt				\$946,054,352 *
Ratio to 2025 Total Appraised Valuation (\$14,321,549,224)				6.60%
Ratio to 2025 Taxable Assessed Valuation (\$9,670,929,576) ⁽¹⁾				9.78%
Per Capita (68,224) Direct and Estimated Overlapping Debt				\$13,866.88

* Includes the Bonds.

⁽¹⁾ See footnote ⁽³⁾ on page A-1.

TAXATION DATA

Historical Valuations, Tax Rates, and Collection Data

Tax Year ⁽¹⁾	Assessed Valuation ⁽²⁾	Tax Rate	% Collections		Fiscal Year Ending
			Current	Total	
2014	\$3,564,805,018	\$1.3391	98.17%	100.47%	6-30-2015
2015	3,849,024,345	1.3391	98.22%	100.09%	6-30-2016
2016	4,659,577,701	1.3391	98.33%	100.03%	6-30-2017
2017	4,957,161,948	1.3391	97.74%	99.16%	6-30-2018
2018	5,366,619,352	1.3658	98.23%	100.45%	6-30-2019
2019	5,893,596,092	1.2958	97.72%	99.22%	6-30-2020
2020	6,814,792,673	1.2233	98.75%	100.35%	6-30-2021
2021	7,450,967,708	1.1978	98.44%	99.72%	6-30-2022
2022	9,148,669,469	1.1954	97.66%	98.85%	6-30-2023
2023	8,494,034,552	1.0419	97.33%	98.98%	6-30-2024
2024	8,957,895,249	1.0377	98.37%	98.56%	6-30-2025
2025	9,670,929,576 ⁽³⁾	1.0377	(In process of collection)		6-30-2026

⁽¹⁾ The District's tax collection year previously began April 1 each year with taxes becoming due July 1 and becoming delinquent after July 31. Taxable valuations for current year were rendered and determined as of the period beginning January 1 of the previous year.

⁽²⁾ Tax years 2014 through 2024 taken from District's 2025 Annual Financial Report; Tax year 2025 taken from the Comal Appraisal District and Guadalupe Appraisal District.

⁽³⁾ Decrease primarily attributable to successful protests by large commercial taxpayers, market normalization of higher interest rates, and targeted reappraisal adjustments on select properties. See footnote ⁽³⁾ on page A-1.

Tax Rate Distribution

	<u>2025/26</u>	<u>2024/25</u>	<u>2023/24</u>	<u>2022/23</u>	<u>2021/22</u>
Local Maintenance ⁽¹⁾⁽²⁾	\$0.6969	\$0.6969	\$0.7011	\$0.8546	\$0.8720
Interest & Sinking Fund	<u>.3408</u>	<u>.3408</u>	<u>.3408</u>	<u>.3408</u>	<u>.3258</u>
Totals	\$1.0377	\$1.0377	\$1.0419	\$1.1954	\$1.1978

Source: The District.

⁽¹⁾ The decline in the District's Maintenance and Operations Tax is a function of House Bill 3 adopted by the Texas Legislature in June 2019.

⁽²⁾ The District conducted a successful voter-approval tax rate election on November 7, 2023, resulting in the District keeping \$0.03 of its Maintenance and Operations Tax that would have otherwise been included with the \$0.1535 that was compressed between 2022/23 and 2023/24.

2025 Tax Exemptions/Exclusions Allowed

The District has granted exemptions to property owners and for persons over 65 years of age and has granted those exemptions under the law for disabled property owners and veterans, and agricultural exclusions as provided. The exemptions in each of the categories listed are shown below:

Homestead - State-mandated \$140,000 General	\$2,381,822,082
State-mandated \$60,000 Over-65	396,024,752
Homestead -100% Disabled/Veterans	454,005,021
Disabled/Deceased Veterans	12,660,546
Disabled Persons	16,047,939
Homestead - 10% Appraisal Cap Loss	622,489,691
Productivity Loss	762,760,637
Solar	4,809,030
Other	<u>0</u>
Total Exemptions and Exclusions	\$4,650,619,698

Source: Comal Appraisal District and Guadalupe County Appraisal District.

Schedule of Delinquent Taxes Receivable Fiscal Year Ended June 30, 2025

<u>Last Ten Years</u>	<u>Ending Balance</u>
2016 and prior years	\$ 239,561
2017	57,665
2018	64,373
2019	74,892
2020	89,672
2021	33,701
2022	69,280
2023	249,913
2024	654,770
2025	<u>1,507,222</u>
Total	\$3,041,049

Source: District's 2025 Annual Report.

Ten Largest Taxpayers

Name	Type of Property	2025 Net Taxable Assessed Valuation	% of Total 2025 Taxable Assessed Valuation
Grey Forest Development LLC	Real Estate	\$ 65,353,299	0.68%
KAHLIG Enterprises Inc	Real Estate	65,093,880	0.67%
Rush Enterprises	Trucking	62,944,080	0.65%
T4V3 LLC	Real Estate	57,620,290	0.60%
Abbey-Veramendi LLC	Development	54,183,610	0.56%
Westpoint Apartments LTD	Apartments	46,936,428	0.49%
Lodge of Guadalupe Apartments LP	Apartments	42,819,407	0.44%
CNB NB Veramendi LP	Development	40,569,310	0.42%
LPF Westpointe LLC	Real Estate	39,715,537	0.41%
Word-Borchers Ranch Real Estate Ltd Partnership	Real Estate	<u>35,284,210</u>	<u>0.36%</u>
Total		\$510,520,051	5.28%

Source: Comal Appraisal District.

Taxpayers by Classification

Category	Assessed Valuation 2025	Percent Of Total	Assessed Valuation 2024	Percent Of Total	Assessed Valuation 2023	Percent Of Total
Single-Family Residences	\$10,417,525,953	72.74%	\$10,222,928,753	72.73%	\$10,082,093,985	73.53%
Multifamily Residences	621,353,009	4.34%	594,423,698	4.23%	542,674,362	3.95%
Vacant-Platted Lots	258,336,129	1.80%	270,353,324	1.92%	265,865,577	1.94%
Qualified Open Space/Improvements	996,702,608	6.96%	980,830,661	6.98%	954,592,793	6.96%
Rural land - non-qualified	59,455,027	0.42%	49,955,642	0.36%	45,944,853	0.34%
Commercial Real	1,448,354,408	10.11%	1,431,270,137	10.18%	1,300,173,410	9.48%
Industrial Real	39,593,660	0.28%	50,781,261	0.36%	43,081,870	0.31%
Utilities	42,507,402	0.30%	38,632,300	0.27%	34,188,411	0.25%
Commercial Personal	273,953,031	1.91%	239,980,746	1.71%	244,975,338	1.79%
Industrial Personal	32,127,961	0.22%	37,437,771	0.27%	35,459,114	0.26%
Mobile Homes	16,258,742	0.11%	14,807,471	0.11%	14,729,554	0.11%
Residential Inventory	77,434,164	0.54%	85,805,997	0.61%	106,658,266	0.78%
Special Inventory	<u>37,947,180</u>	<u>0.26%</u>	<u>39,443,053</u>	<u>0.28%</u>	<u>41,198,340</u>	<u>0.30%</u>
Total Appraised Value	\$14,321,549,274	100.00%	\$14,056,650,814	100.00%	\$13,711,635,873	100.00%
Less Exemptions and Exclusions	<u>4,650,619,698</u>		<u>3,872,584,082</u>		<u>4,100,185,842</u>	
Net Taxable Assessed Valuation*	<u>\$ 9,670,929,576</u>		<u>\$10,184,066,732</u> **		<u>\$ 9,611,450,031</u>	

Source: Information is compiled from data from the Comal Appraisal District and the Guadalupe Appraisal District.

* Total includes valuations against which a freeze of tax levy has been granted for persons 65 years or older. See footnote (3) on page A-1.

** Includes property values under review from Comal County and Guadalupe County.

ESTIMATED INTEREST & SINKING FUND MANAGEMENT INDEX 2025/26

Interest & Sinking Fund Balance at 6-30-2025.....	\$ 4,092,243
Estimated Income from \$0.3408 I&S Tax Rate @ 95% Collected Using 2025 Taxable Assessed Valuation of \$9,670,929,576 ⁽¹⁾	31,310,601
Estimated Other Income	<u>7,400,000</u>
Estimated Total Funds Available	42,802,844
2025/26 Debt Service Requirement	<u>38,143,481</u>
Estimated Interest & Sinking Fund Balance at 6-30-2026	\$ 4,679,363

⁽¹⁾ See footnote ⁽³⁾ on page A-1.

**CONSOLIDATED DEBT SERVICE REQUIREMENTS
INCLUDING THE BONDS AT ACTUAL RATES**

FISCAL YEAR 30-June	CURRENTLY OUTSTANDING DEBT SERVICE	PLUS: THE BONDS AT ACTUAL RATES				GRAND TOTAL ALL DEBT SERVICE
		PRINCIPAL DUE 2/1	INTEREST DUE 8/1	INTEREST DUE 2/1	TOTAL	
2026	\$ 38,143,481.25					\$ 38,143,481.25
2027	36,510,581.25		\$ 1,606,194.10	\$ 1,741,656.25	\$ 3,347,850.35	39,858,431.60
2028	36,877,531.25	\$ 50,000	1,741,656.25	1,741,656.25	3,533,312.50	40,410,843.75
2029	37,271,131.25	100,000	1,740,406.25	1,740,406.25	3,580,812.50	40,851,943.75
2030	39,730,131.25	175,000	1,737,906.25	1,737,906.25	3,650,812.50	43,380,943.75
2031	40,985,581.25	200,000	1,733,531.25	1,733,531.25	3,667,062.50	44,652,643.75
2032	41,400,481.25	400,000	1,728,531.25	1,728,531.25	3,857,062.50	45,257,543.75
2033	48,122,725.01	-	1,718,531.25	1,718,531.25	3,437,062.50	51,559,787.51
2034	48,097,875.01	-	1,718,531.25	1,718,531.25	3,437,062.50	51,534,937.51
2035	41,249,975.01	1,075,000	1,718,531.25	1,718,531.25	4,512,062.50	45,762,037.51
2036	40,761,550.01	1,395,000	1,691,656.25	1,691,656.25	4,778,312.50	45,539,862.51
2037	40,643,675.01	1,390,000	1,656,781.25	1,656,781.25	4,703,562.50	45,347,237.51
2038	40,059,850.01	1,630,000	1,622,031.25	1,622,031.25	4,874,062.50	44,933,912.51
2039	39,691,050.01	1,875,000	1,581,281.25	1,581,281.25	5,037,562.50	44,728,612.51
2040	39,613,350.01	2,020,000	1,534,406.25	1,534,406.25	5,088,812.50	44,702,162.51
2041	39,473,162.51	2,115,000	1,483,906.25	1,483,906.25	5,082,812.50	44,555,975.01
2042	38,860,112.52	2,355,000	1,431,031.25	1,431,031.25	5,217,062.50	44,077,175.02
2043	38,847,243.76	2,500,000	1,372,156.25	1,372,156.25	5,244,312.50	44,091,556.26
2044	38,398,781.26	2,840,000	1,309,656.25	1,309,656.25	5,459,312.50	43,858,093.76
2045	38,091,756.26	3,085,000	1,238,656.25	1,238,656.25	5,562,312.50	43,654,068.76
2046	38,113,218.76	3,075,000	1,161,531.25	1,161,531.25	5,398,062.50	43,511,281.26
2047	38,070,143.76	3,170,000	1,084,656.25	1,084,656.25	5,339,312.50	43,409,456.26
2048	37,643,068.76	3,560,000	1,005,406.25	1,005,406.25	5,570,812.50	43,213,881.26
2049	30,648,637.50	4,800,000	916,406.25	916,406.25	6,632,812.50	37,281,450.00
2050	24,835,600.00	8,790,000	796,406.25	796,406.25	10,382,812.50	35,218,412.50
2051	23,836,600.00	7,780,000	576,656.25	576,656.25	8,933,312.50	32,769,912.50
2052	21,762,000.00	7,765,000	382,156.25	382,156.25	8,529,312.50	30,291,312.50
2053	-	9,705,000	212,296.88	212,296.88	10,129,593.75	10,129,593.75
	<u>\$1,017,739,293.9</u>	<u>\$71,850,000</u>	<u>\$36,500,897.22</u>	<u>\$36,636,359.38</u>	<u>\$144,987,256.60</u>	<u>\$1,162,726,550.52</u>

2026/2027 PRO FORMA INTEREST & SINKING FUND MANAGEMENT INDEX

Estimated Interest & Sinking Fund Balance at 6-30-2026.....	\$ 4,679,363
Estimated Income from \$0.3408 I&S Tax Rate @ 95% Collected Using 2026 Estimated Taxable Assessed Valuation of \$10,638,022,534	34,441,662
Estimated Other Income	<u>7,100,000</u>
Total Estimated Funds Available	46,201,025
2026/27 Debt Service Requirement	<u>39,858,432</u>
Estimated Interest & Sinking Fund Balance at 6-30-2027	\$ 6,342,593

FIVE-YEAR RECORD OF FINANCIAL OPERATIONS

The following summary of the District's results of operation reflects the District's historical performance under prior systems of school finance in Texas. For a description of the prior systems, the revised current system, and how the District's future financial performance may be affected by the revised system and ongoing litigation see "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS."

	Year Ended 6/30				
	2025	2024	2023	2022	2021
REVENUE					
Local Sources	\$114,552,004	\$112,385,709	\$118,290,110	\$ 88,647,829	\$ 80,005,760
State Sources	35,594,001	35,479,619	12,369,678	20,204,618	26,250,102
Federal Sources	<u>8,154,333</u>	<u>10,173,801</u>	<u>13,503,230</u>	<u>14,185,742</u>	<u>8,538,413</u>
Total all Revenue	158,300,338	157,939,129	144,163,018	123,038,189	114,794,275
EXPENDITURES					
Instruction	66,198,290	56,105,543	55,627,607	55,708,533	49,851,956
Instruction Related	8,473,561	12,376,889	11,540,640	6,802,617	6,508,646
Pupil Services	20,449,439	17,671,033	16,276,157	15,292,401	13,798,367
General Administration	4,857,749	4,827,528	4,253,759	3,356,015	2,877,246
Debt Service	36,651,866	37,057,045	29,718,086	23,606,385	19,380,120
Plant Maintenance & Operation	13,750,047	13,126,738	11,166,461	10,215,085	9,444,630
Construction/Capital Outlay	178,739,734	142,710,629	30,441,781	13,404,791	28,172,476
Data Processing	2,070,647	2,074,180	1,952,416	1,649,554	1,653,105
Community Services	951,143	922,851	597,332	519,806	506,315
Shared Services Arrangements	25,258	68,435	51,565	-0-	107,046
Intergovernmental Charge	<u>863,950</u>	<u>1,085,479</u>	<u>1,035,246</u>	<u>753,052</u>	<u>812,080</u>
Total all Expenditures	<u>333,031,684</u>	<u>288,026,350</u>	<u>162,661,050</u>	<u>131,308,239</u>	<u>133,111,987</u>
Total Other Resources and (Uses)	<u>126,052,110</u>	<u>-0-</u>	<u>196,943,539</u>	<u>131,035,378</u>	<u>41,538,880</u>
Excess (Deficiency) of Revenues and Other Resources Over Expenditures and Other Uses	(48,679,236)	(130,087,221)	178,445,507	122,765,328	23,221,168
Fund Balance Beginning of Year	\$303,566,481	\$433,653,702	255,208,195	131,965,202	108,744,034
Prior Period Adjustment ⁽¹⁾	(7,790,384)	-0-	-0-	-0-	-0-
Fund Balance End of Year	<u>\$247,096,861</u>	<u>\$303,566,481</u>	<u>\$433,653,702</u>	<u>\$255,208,195</u>	<u>\$131,965,202</u>
General Fund Balance ⁽²⁾	\$ 38,467,080	\$ 64,172,373	\$65,360,711	\$71,548,621	\$ 64,835,660

⁽¹⁾ The Prior Period Adjustment for the fiscal year ended June 30, 2025 was due to implementation of GASB 101.

⁽²⁾ The decrease in the General Fund Balance for the fiscal June 20, 2025 was primarily due to a transfer of \$20,000,000 of funds to the capital projects fund to be committed for future capital expenditures.

	Year Ended 6/30				
	2025	2024	2023	2022	2021
Assessed Valuation	\$10,184,066,732	\$8,494,034,552	\$8,537,222,603	\$6,929,666,472	\$6,400,704,324
Total Tax Rate	\$1.0377	\$1.0419	\$1.1954	\$1.1978	\$1.2233
Percent of Debt Service to Total Expenditures	11.02%	12.87%	18.26%	17.98%	14.56%

Source: The District's audited financial statements.

APPENDIX B

**General Information Regarding the District
and Its Economy**

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THE DISTRICT

This Appendix contains a brief discussion of certain economic and demographic characteristics of the area in which the District is located. Information in this Appendix has been obtained from sources that are believed to be reliable, although no investigation has been made to verify the accuracy of such information.

General

New Braunfels Independent School District (the "District") contains 75.7 square miles and is located primarily in Comal County, Texas, with a small portion extending into Guadalupe County, Texas. The District's 2020 population is estimated at 53,789.

Administration

Policy-making and supervisory functions are the responsibility of and are vested in a seven-member Board of Trustees (the "Board"). Members of the Board serve three-year staggered terms with elections up to now being held each year on the first Saturday in May. The Board delegates administrative responsibilities to the Superintendent of Schools.

Scholastic Information

The District is designated a Recognized District by the Texas Education Agency. This designation indicates that the district students demonstrate a high level of performance. Texas Education Agency indicators for the Recognized designation are structured to ensure that student performance is at a high level or improving for all students and for students within each subgroup represented within its diverse populations.

District results on statewide assessments have shown increases in all content areas; reading, writing, mathematics, science and social studies. Performance on the State of Texas Assessments of Academic Readiness was consistently above last year's mastery across grade levels and content areas in grades three through eight.

Curricular offerings in the District comply with and extend beyond legal requirements with a comprehensive curriculum for students in grades pre-kindergarten through twelve. There are extensive resources and special offerings for students who are gifted, speakers of other languages, handicapped and/or exhibit special learning problems.

The district is a leader in integrating instruction and technology. Campuses use a variety of technology to facilitate students in critical thinking and deep understanding of content.

Budget and Personnel

The budget for all funds for the 2025-2026 school year is \$118,472,290. Local contribution is 59.51%; State contribution is 32.87%; Federal and other contribution is 9.87%. The District employs 1,352 professional and supportive staff in 2025-26, with an annual payroll budget exceeding \$87,075,004 million.

Employee Retirement, Teacher Retirement System of Texas

The District has financial responsibility for the Teacher Retirement System of Texas only for the portion of the salaries of professional employees, which earn above the state minimum pay schedule, with employees contributing 7.70% of their annual compensation and the State of Texas contributing 7.50%.

Food Service

The District operates a central kitchen where food is prepared for ten elementary schools and the Learning Center (the District's alternative campus). The high school and both middle school campuses have their own cooking facilities.

Present Facilities

<u>School Facility</u>	<u>Year Occupied</u>	<u>Grade Span</u>	<u>Enrollment (At 12-01-2025)</u>
New Braunfels High School	1964/2026	9-12	1,636
Long Creek High School	2012/2025	9-11	1,173
New Braunfels Middle School	2021	6-8	1,259
Oak Run Middle School	1991	6-8	1,019
Lamar Elementary School	2025	K-5	520
Carl Schurz Elementary School	1924	K-5	338
Lone Star Early Childhood Center	1954	EE-PreK	252
Klein Road Elementary School	2008	K-5	471
County Line Elementary School	1986	K-5	299
Memorial Elementary School	1998	K-5	247
Seele Elementary School	1954	K-5	370
Walnut Springs Elementary School	1989	K-5	354
Voss Farms Elementary School	2017	K-5	627
Veramendi Elementary School	2017	K-5	620
Legends Point Elementary School	2025	K-5	454
Two Rivers High School	1924	9-12	<u>56</u>
Total			9,695

Source: New Braunfels ISD

Average Daily Attendance and Percentage Increase

<u>School Year</u>	<u>Enrollment</u>	<u>Refined Average Daily Attendance</u>	<u>% ADA Increase (Decrease)</u>
2015-16	8,420	8,083	0.32%
2016-17	8,583	8,068	-0.19%
2017-18	8,925	8,432	4.51%
2018-19	9,237	8,634	2.40%
2019-20	9,524	8,904	3.13%
2020-21	9,253	8,782	-1.37%
2021-22	9,638	8,947	1.88%
2022-23	9,724	8,899	-0.54%
2023-24	9,664	9,052	1.72%
2024-25	9,658	9,055	0.03%
2025-26 *	9,695	9,080	0.27%

Source: New Braunfels ISD

* Fall of 2025

GENERAL AND STATISTICAL INFORMATION

General Information

The District, located primarily in Comal County, Texas (the "County"), a pioneer German settlement created in 1846 from Bexar, Gonzales and Travis Counties, Texas, is a scenic Southwest county named after the Comal River. The District also extends into part of Guadalupe County.

The City of New Braunfels, Texas (the "City"), the county seat of Comal County, is located in the southeast part of the County approximately twenty-five miles north of San Antonio on Interstate Highway 35 and forty miles south of Austin on Interstate Highway 35.

Population

<u>Census Report</u>	<u>City of New Braunfels</u>	<u>Comal County</u>
2024 Est.	117,793	203,107
2020	91,643	161,501
2010	57,740	108,472
2000	36,464	78,021
1990	30,402	58,905

Major Employers

The County has been economically stable for many years because of the industries located there. A list of the major non-governmental employers, their products and number of employees as reported by the Greater New Braunfels Chamber of Commerce follows:

<u>Name</u>	<u>Product</u>	<u>Approximate Number of Employees</u>
Schlitterbahn	Waterpark and Resort	2,300*
Wal Mart Distribution Center	Distribution Center	1,215
Sysco	Food Products Supplier	780
Hunter Industries/Colorado Materials	Highway Contractor/Material Supplier	765
TaskUs	Call Center	620
CHRISTUS Santa Rosa Hospital - New Braunfels	Hospital	585
HD Supply Facilities Maintenance	Maintenance/Repair Supply Store	538
Rush Enterprises, Inc.	Heavy Duty Truck Dealer	521
Resolute Baptist Hospital	Hospital	520

* The Schlitterbahn Water Park, located on 100 acres in the City, is a large seasonal employer. The operating season is Memorial Day through Labor Day, during which time approximately 2,300 people are employed.

In addition to the foregoing, estimated County, City and School District current employment figures follow:

Comal County	805*
City of New Braunfels	800*
New Braunfels Utilities	406
New Braunfels ISD	1,004
Comal ISD	3,006

* Includes part-time and seasonal employees.

Area Growth Statistics

<u>Year</u>	<u>Utility Customer Count*</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Electric</u>
2012	25,588	21,097	31,061
2013	27,303	21,942	32,404
2014	29,089	22,885	33,975
2015	31,415	24,034	35,455
2016	33,550	25,072	36,914
2017	36,140	26,294	38,867
2018	39,060	27,775	41,729
2019	41,074	28,775	43,606
2020	43,811	30,185	45,893
2021	46,994	31,755	48,600
2022	51,051	33,896	51,725
2023	52,637	34,695	53,732
2024	55,941	36,461	58,129

* Source: New Braunfels Utilities 2025 Annual Comprehensive Financial Report (fiscal year).

Labor Force Statistics - Comal County

	Annual Average				
	2024	2023	2022	2021	2020
Civilian Labor Force	97,410	84,427	82,222	79,751	77,273
Total Employed	<u>93,393</u>	<u>81,394</u>	<u>79,381</u>	<u>76,112</u>	<u>72,569</u>
Total Unemployed	3,517	3,043	2,841	3,649	4,604
% Unemployed	3.6%	3.6%	3.5%	4.6%	6.1%
% Unemployed (Texas)	4.1%	3.9%	3.9%	5.6%	7.7%
% Unemployed (United States)	4.0%	3.6%	3.6%	5.3%	8.1%

Source: Texas Workforce Commission - Economic Research and Analysis Department, and United States Department of Labor.

Employment and Wages by Industry - Comal County

	Number of Employees			
	Third Quarter 2025	Fourth Quarter 2024	Fourth Quarter 2023	Fourth Quarter 2022
Natural Resources and Mining	853	873	842	824
Construction	7,664	8,289	8,017	7,202
Manufacturing	4,501	4,228	4,134	4,181
Trade, Transportation & Utilities	18,919	18,564	19,451	18,541
Information	616	622	586	619
Financial Activities	2,825	2,940	2,475	2,359
Professional and Business Services	9,706	9,457	7,632	7,304
Education and Health Services	9,125	9,034	8,907	8,482
Leisure and Hospitality	12,720	12,416	10,221	10,017
Other Services	2,266	2,333	2,935	2,837
Unclassified	71	64	81	64
Federal Government	279	285	277	265
State Government	223	205	207	201
Local Government	<u>8,002</u>	<u>7,693</u>	<u>7,960</u>	<u>7,547</u>
Total Employment	77,770	77,003	73,724	70,443
Total Wages	\$1,144,248,264	\$1,083,130,23	\$1,077,227,380	\$979,789,102

Source: Labor Market and Career Information Department, Texas Workforce Commission.

Agriculture

Agriculture continues as an important source of income to the area. According to latest statistics from the Annual Agricultural Increment Report, Comal County's annual income from agriculture is estimated at \$5.2 million. Some of the products include corn, hay, milo, wheat, oat, pecan and nursery crops; goat, beef, hog, horse, sheep, wool and mohair production; Christmas trees; hunting and recreation.

Commercial

The County has a wide range of commercial establishments including restaurants, motels, food stores, manufacturing, professional services, retail stores, and service stations. Those in the Canyon Lake area include motels, Cranes Mill Marina and Canyon Lake Marinas, Inc.

Community Services

The New Braunfels and Canyon Lake area contains approximately 26 motels/hotels, 27 resorts and condominiums, 22 campgrounds and RV parks, and 28 bed and breakfast/vacation home rentals. In addition, there are numerous other facilities available in San Antonio and adjoining towns.

The City has several museums, a library, two radio stations, and a newspaper which is published six days a week. In addition, one weekly newspaper is published in Comal County. Both the San Antonio and Austin daily newspapers are available. There are numerous radio stations, three commercial television stations, cable and satellite television, and one educational television station in San Antonio that serve the New Braunfels area.

Over thirty denominations are represented in more than seventy churches in the City. Those not represented generally are available in nearby San Antonio.

The Brauntex Performing Arts Theatre and Circle Arts Theatre provide live entertainment and theatre in New Braunfels. The Mid-Texas Symphony, a professional orchestra, is performing in its 39th season of concerts in New Braunfels and Seguin.

Educational Facilities

Other local public school facilities are provided through the Comal Independent School District. Enrollment records follow:

School Year	Comal ISD	
	Membership	Avg. Daily Attendance
2014-15	20,155	19,225
2015-16	20,922	20,100
2016-17	22,049	21,036
2017-18	23,105	22,042
2018-19	23,857	22,707
2019-20	24,984	23,770
2020-21	25,295	23,712
2021-22	27,288	25,252
2022-23	28,408	26,536
2023-24	28,948	27,212
2024-25	29,796	27,895

Source: Comal ISD.

The preceding enrollment figures do not include enrollment at the four private and parochial schools.

Higher educational facilities include Texas Lutheran University - Seguin, approximately 13 miles from the City; Texas State University - San Marcos, approximately 15 miles from the City; and eight colleges and/or universities located in San Antonio, approximately 35 miles from the City. Planned higher educational facilities include the future Howard-Payne University campus which will be part of the proposed Veramendi development project. Currently, Howard-Payne University offers courses at New Braunfels High School and online. In addition, Wayland Baptist University has moved into a 10,000 sq. ft. educational space adding more higher education opportunities in the surrounding community.

The Central Texas Technology Center. The CTTC is a District Workforce Specialty Campus. It is the area's first higher education facility dedicated to technology and it is a collaborative effort of the governing bodies and business development agencies of the City, Seguin and the Alamo Colleges. Alamo Colleges runs the programs and classes that provide college level education and training to residents of Comal, Guadalupe, Hays, Bexar and Wilson counties. In 2015, The U.S. Department of Commerce and Economic Development Administration awarded Alamo Colleges at \$1.25 million dollar grant to help double the size of the CTTC. These funds joined \$5 million already committed to the project and paved the way for the expansion project which was completed in 2016.

Health Care

The City has two hospitals, CHRISTUS Santa Rosa Hospital-New Braunfels (CSRH-NB) and Resolute Health. CSRH-NB is a full-service, 94-private bed facility that continues to expand to meet the needs of New Braunfels' strong population growth. CSRH-NB employs more than 475 full and part time Associates and provides privileges to more than 150 physician staff members and nearly 100 volunteers. Innovative equipment and procedures are utilized, including an Outpatient Imaging Center, orthopedic and surgical services, rehabilitation, a renovated birthing center, including 24/7 neonatal coverage, emergency care, wound care/hyperbaric center, comprehensive heart care, from diagnostics to open-heart surgery, and a freestanding Emergency Center at Creekside Town Center. Resolute Health opened in June 2014 and employs about 600 associates. Resolute Health invested \$250 million into the 365,000 square-foot facility which has 125 beds in all-private rooms and offers a broad range of specialty services, including cardiovascular, orthopedics, oncology, imaging, wound care, rehabilitation and obstetrics. It is the only Level III neonatal intensive care unit in the area. The new hospital serves as the cornerstone of Resolute Health, a network of care in New Braunfels, which is located roughly 30 miles northeast of San Antonio. New Braunfels Regional Rehabilitation Hospital is a 40-bed hospital that specializes in severe head and neck/stroke patients. More than 160 employees work at the \$28 million dollar, 40-bed facility. Bexar County, University of Texas and U. S. Veterans Administration medical facilities are located in nearby northwest San Antonio.

Tourism and Recreation

Located in the heart of the City are Comal Springs and Landa Park, a 300-acre park, which includes an 18-hole golf course, tennis courts, large picnic and playground areas, an Olympic-size swimming pool, and the largest spring-fed swimming pool in Texas. Schlitterbahn Waterpark Resort in New Braunfels is recognized annually as one of the best waterparks in the country. Numerous additional golf courses are available in the region.

Natural Bridge Caverns, the state's largest caverns, and Natural Bridge Wildlife Ranch are major tourist attractions located in the southern part of Comal County. Scenic drives and historic sites also attract many tourists to the area.

Canoeing, tubing, rafting, kayaking and other white water sports on the Guadalupe River are very popular.

Canyon Lake, located twenty miles from the City, is a popular water-resort area for sailing, boating, fishing, water skiing and scuba diving. Several parks have been established around the Lake.

Annual celebrations include the Comal County Fair, one of the oldest and best attended County fairs in the State, and the "Wurstfest." The annual "Wurstfest" is a ten-day event and always starts on the Friday before the first Monday in November. The 2025 "Wurstfest" was held November 7 through November 16. Average annual attendance exceeds 200,000 with income from admissions and concessions sales well in excess of \$3,000,000.

The City constructed a Civic Center in 1971 which contributes materially to tourist income. In addition, the City built a new civic center and renovated the existing space in July 2008.

Transportation

The City is served by Interstate Highway 35 (U.S. 81) and State Highway 46. Loop 337 circles the City and numerous Farm and Ranch Roads traverse the County. Railroads include the Union Pacific and Missouri Kansas and Texas Lines. The City's airport facility encompasses 1,000 acres and has four runways, four taxiways, and a parking ramp. The airport runways are of all asphalt construction with threshold lights and full runway lights. Jet fuel, aviation gas, and car rentals are available at the airport. The airport, located some four miles from the City, is reported to have an average of 75 flights per day. The New Braunfels Airport is also used for corporate flights. Greyhound/Trailways Bus Lines and several motor freight lines also serve the City.

Utilities

The Guadalupe River provides NBU and the City of New Braunfels with a source of good quality and quantity of water. Well water from the Edwards Aquifer and the Trinity Aquifer is also available in most of the unincorporated areas of the County. The Guadalupe River, Comal River and Canyon Lake help to assure future water supply. Sale of water from Canyon Lake is in the control of the Guadalupe-Blanco River Authority. Water districts serve the eastern part of the County.

Electricity is available throughout the City and is provided by NBU which also serves approximately 5,300 customers in the surrounding rural area. GVEC and PEC also provide electric services to some areas of the City.

Natural Gas is available to the residents of the City from Enterprise Texas Pipeline, L.P., and distributed by Centerpoint Energy. In other areas where natural gas is not available, butane and propane gas service is available by truck delivery.

The City's telephone service is provided by AT&T, Inc. and Time Warner Cable, with other County areas being served by the Guadalupe Valley Telephone Cooperative (GVTC).

APPENDIX C

Audited Financial Statements

The information contained in this appendix consists of the New Braunfels Independent School District Audited Financial Statements (the "Report") for the fiscal year ended June 30, 2025.

The information presented represents only a part of the Report and does not purport to be a complete statement of the District's financial condition. Reference is made to the complete Annual Audit Report for additional information.

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**Annual
Financial Report**

**For the Fiscal Year Ended
June 30, 2025**

**NEW BRAUNFELS
INDEPENDENT SCHOOL DISTRICT**

**1000 N. Walnut
New Braunfels, TX 78130**

Prepared by New Braunfels ISD Business Office

**Paul McLarty
Chief Business & Support Services Officer**

**Jose Betancourt
Director of Financial Services**

CERTIFICATE OF BOARD

New Braunfels Independent School District

Name of School District

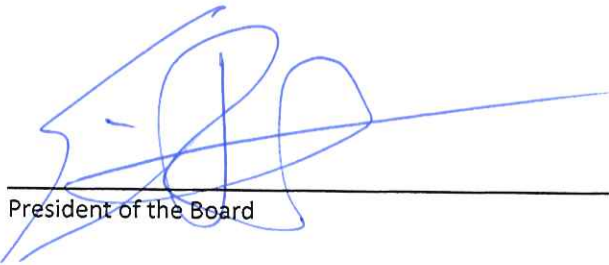
Comal

County

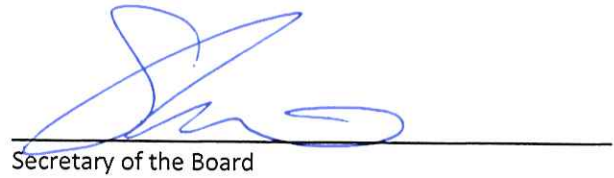
046901

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 June 30, 2025, at a meeting of the Board of Trustees of such school district on February 9, 2026.



President of the Board



Secretary of the Board

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
New Braunfels Independent School District

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of New Braunfels ISD (the "District") as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), 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 GAS 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 GAS, 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 combining and individual nonmajor fund financial statements, 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.

To the Board of Trustees
New Braunfels Independent School District

The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, 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 GAS, we have also issued our report dated February 3, 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 GAS in considering the District's internal control over financial reporting and compliance.

Houston, Texas
February 3, 2026

NEW BRAUNFELS INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of New Braunfels Independent School District (the "District") for the year ending June 30, 2025. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the District's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent period by \$97,900,687. Of this amount, \$6,275,916 is a deficit unrestricted net position. The deficit unrestricted net position is the result of adjustments related to pension and other postemployment benefits reporting requirements.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$247,096,861. Approximately 12% of this total amount, \$28,498,006, is available for spending at the District's discretion (unassigned fund balance). Fund balance of \$182,225,065, about 74%, is restricted for current and future capital projects.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$27,987,114, or 27% of the total General Fund expenditures.

Overview of The Financial Statements

The discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

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, deferred outflows/inflows of resources, and liabilities, with the difference being reported as net position. Over time, increases and 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 on 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 for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

In the District's government-wide financial statements the functions of the District are being principally supported by taxes and intergovernmental revenues (governmental activities) The governmental activities of the District include instruction, school leadership, guidance, counseling and evaluation services, social work services, health services, student transportation, extracurricular activities, general administration, facilities maintenance and operations, security and monitoring services and community services.

NEW BRAUNFELS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The *statement of net position* and the *statement of activities* include the following classes of activities:

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

Business-type activities – Services involving a fee for those services are reported here. These services include athletic camps.

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

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 statement and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The District maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects fund, which are considered to be major funds. Data from the remaining governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

Proprietary Funds. The District operates various summer athletic camps primarily for students enrolled in the District. These programs are financed through the collection of fees and tuition from participating students. The proprietary funds also show the activity of internal services offered throughout the District including health insurance, workers' compensation insurance, and usage of the District's central office copiers. These funds are shown in a separate statement of proprietary net position and statement of changes in proprietary net position. The internal service fund is included as a single column on the proprietary fund financial statements.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the District. Fiduciary funds are *not* reported in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The District maintains one type of fiduciary fund. The *Custodial fund* reports resources held by the District is a custodial capacity primarily for student groups.

NEW BRAUNFELS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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

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

Government-Wide Financial Analysis

Both current period and prior year data are presented with discussion of significant changes in the accounts. Our analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the District's government-wide activities.

This period-over-period comparison provides an indication of the District's financial well-being. Increases and decreases in net position may serve over time as a useful indicator of a government's financial position. As of June 30, 2025, the District's assets and deferred outflows of resources exceeded combined liabilities and deferred inflows of resources by \$97,900,687, which is an increase of \$8,495,728 when compared to the prior year net position of \$90,214,959.

	Governmental Activities		Business-type Activities		Total	
	2025	2024 *	2025	2024	2025	2024 *
Assets:						
Current and other assets	\$ 293,907,177	\$ 338,678,368	\$ 88,548	\$ 88,901	\$ 293,995,725	\$ 338,767,269
Capital assets *	577,597,339	405,576,340	-	-	577,597,339	405,576,340
Total Assets	871,504,516	744,254,708	88,548	88,901	871,593,064	744,343,609
Deferred Outflows of Resources	17,386,952	20,063,760	-	-	17,386,952	20,063,760
Total Assets and Deferred Outflows of Resources	888,891,468	764,318,468	88,548	88,901	888,980,016	764,407,369
Liabilities:						
Other liabilities *	50,834,606	44,356,469	-	353	50,834,606	44,356,822
Long term liabilities *	720,167,108	604,084,510	-	-	720,167,108	604,084,510
Total Liabilities	771,001,714	648,440,979	-	353	771,001,714	648,441,332
Deferred Inflows of Resources	19,989,067	25,662,530	-	-	19,989,067	25,662,530
Total Liabilities and Deferred Inflows of Resources	790,990,781	674,103,509	-	353	790,990,781	674,103,862
Net Position:						
Net investment in capital assets *	102,686,693	76,455,564	-	-	102,686,693	76,455,564
Restricted	1,489,910	2,467,272	-	-	1,489,910	2,467,272
Unrestricted *	(6,275,916)	11,292,123	88,548	88,548	(6,187,368)	11,380,671
Total Net Position	\$ 97,900,687	\$ 90,214,959	\$ 88,548	\$ 88,548	\$ 97,989,235	\$ 90,303,507

* Fiscal year 2024 was restated to decrease long term liabilities by \$20,000 and increase net position by \$20,000. See note 16 for more information.

Investment in capital assets (e.g., land, construction in progress, buildings, furniture, equipment, and vehicles) less any related debt used to acquire those assets that is still outstanding is \$102,686,693. 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, generally property taxes, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net position of \$1,489,910 represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted net position is a deficit of \$6,275,916, which is negative as a result of adoption of GASB 68 and GASB 75. The combined effect of GASB 68 and GASB 75 is a negative \$48,115,612.

NEW BRAUNFELS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

	Governmental Activities		Business-type Activities		Total	
	2025	2024 *	2025	2024	2025	2024 *
Program Revenues						
Charges for services	\$ 4,450,670	\$ 2,028,954	\$ -	\$ 37,393	\$ 4,450,670	\$ 2,066,347
Operating grants and contributions	14,726,700	19,745,389	-	-	14,726,700	19,745,389
General Revenues						
Property taxes	92,320,789	87,984,377	-	-	92,320,789	87,984,377
State aid formula grants	25,344,120	25,602,522	-	-	25,344,120	25,602,522
Investment earnings	16,391,150	13,979,607	-	-	16,391,150	13,979,607
Miscellaneous	1,397,474	1,381,133	-	-	1,397,474	1,381,133
Total Revenues	154,630,903	150,721,982	-	37,393	154,630,903	150,759,375
Expenses						
Instruction and instruction-related	68,049,304	65,767,463	-	-	68,049,304	65,767,463
Instructional and school leadership	8,065,234	7,820,758	-	-	8,065,234	7,820,758
Student support services	6,358,785	6,117,786	-	-	6,358,785	6,117,786
Student transportation	4,183,896	3,946,651	-	-	4,183,896	3,946,651
Food services	5,504,176	4,302,967	-	-	5,504,176	4,302,967
Extracurricular activities	5,928,448	5,024,952	-	108,272	5,928,448	5,133,224
General administration	5,210,100	5,194,805	-	-	5,210,100	5,194,805
Facilities maintenance and operations	10,982,241	11,891,852	-	-	10,982,241	11,891,852
Non-instruction support and ancillary services	5,024,451	4,310,990	-	-	5,024,451	4,310,990
Interest on long-term debt	26,749,332	18,791,060	-	-	26,749,332	18,791,060
Facilities acquisition and construction	-	-	-	-	-	-
Intergovernmental charges	889,208	1,153,914	-	-	889,208	1,153,914
Total Expenses	146,945,175	134,323,198	-	108,272	146,945,175	134,431,470
Change in net position	7,685,728	16,398,784	-	(70,879)	7,685,728	16,327,905
Beginning Net Position	90,214,959	73,816,175	88,548	159,427	90,303,507	73,975,602
Ending Net Position	\$ 97,900,687	\$ 90,214,959	\$ 88,548	\$ 88,548	\$ 97,989,235	\$ 90,303,507

* Fiscal year 2024 was restated to decrease long term liabilities by \$20,000 and increase net position by \$20,000. See note 16 for more information.

The District's program and general revenues increased by \$3,908,921 (3%) due primarily to an increase in property tax revenues.

Financial Analysis of The District's Funds

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

Governmental Funds

The financial performance of the District as a whole is reflected in its governmental funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of a fiscal year. As the District completed this year, its governmental funds reported a combined ending fund balance of \$247,096,861, of which \$28,498,006, or 12%, is considered unassigned and is available for spending at the District's discretion. The remainder of the fund balance is nonspendable, restricted, committed or assigned to indicate that it is not available for new spending because it has already been designated for other obligations of the District.

NEW BRAUNFELS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The General Fund is the chief operating fund of the District. The fund balance of the General Fund at the end of the fiscal year was \$38,467,080, a decrease of \$25,705,293 from the prior year, primarily due to a transfer of \$20,000,000 of funds to the capital projects fund to be committed for future capital expenditures. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to the total fund expenditures. Unassigned fund balance represents 27% of the total General Fund expenditures.

The Debt Service Fund has a total fund balance of \$4,092,243, which is a decrease of \$1,564,132 from the prior year due to the scheduled principal and interest payments on bonds slightly revenues. All of the fund balance is restricted for the payment of debt service.

The Capital Projects Fund had a total fund balance of \$201,212,640 at the end of the fiscal year. This was a decrease of \$28,739,201 from the prior year due to issuance of the Series 2024 Unlimited Tax School Building Bonds in the amount of \$124,650,000 and the transfer in of \$20,000,000 from the General Fund, less continued spending on bond-funded construction projects.

Other governmental funds have total fund balance of \$3,324,898, a decrease of \$460,994 since last year. This change is primarily due to an increase in the fund balance of the Campus Activity Fund.

General Fund Budgetary Highlights

In accordance with State law and generally accepted accounting standards, the District prepares an annual budget for the general fund, the National Breakfast and Lunch Program special revenue fund, and the Debt Service fund. Actual revenues were less than budgeted amounts by \$6,644,417 due to less property tax revenues than anticipated as a result of significant refunds to taxpayers for assessment refunds. Actual expenditures were less than budgeted amounts by \$1,685,124 due to less instructional costs than anticipated.

Significant Capital Asset and Long-term Financing Activity

Capital assets

The District's investment in capital assets for its governmental activities as of June 30, 2025, amounts to \$577,597,339 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, building improvements, furniture, and equipment. See note 6 for more detailed analysis of capital asset activity.

	2025	2024	Change
Land	\$ 24,011,985	\$ 24,011,985	\$ -
Construction in progress	316,501,653	160,379,871	156,121,782
Buildings and improvements	322,738,238	302,310,806	20,427,432
Furniture and equipment	23,514,982	19,137,697	4,377,285
PPP assets (2024 restated)	1,760,000	1,760,000	-
	<u>688,526,858</u>	<u>507,600,359</u>	<u>180,926,499</u>
Accumulated depreciation/amortization (2024 restated)	<u>(110,929,519)</u>	<u>(101,274,019)</u>	<u>(9,655,500)</u>
Net Capital Assets	<u>\$ 577,597,339</u>	<u>\$ 406,326,340</u>	<u>\$ 171,270,999</u>

NEW BRAUNFELS INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Long-Term Financing

As of June 30, 2025, the District had total outstanding long-term financing liabilities of \$720,167,108, an increase of \$116,082,598 from the previous year due to issuance of Series 2024 Unlimited Tax School Building Bonds in the amount of \$124,650,000. Of total long-term debt outstanding, \$661,960,830 or 92% is made up of general obligation bonds issued by the District. See note 7 for more detailed analysis of long-term debt activity.

	2025	2024	Change
General obligation debt (2024 restated)	\$ 661,960,830	\$ 550,800,390	\$ 111,160,440
Compensated absences	730,893	673,632	57,261
Arbitrage liability	10,754,312	7,766,282	2,988,030
Net pension liability	28,124,042	31,168,970	(3,044,928)
Net OPEB liability	18,597,031	13,675,236	4,921,795
	<u>\$ 720,167,108</u>	<u>\$ 604,084,510</u>	<u>\$ 116,082,598</u>

The State issues guidelines limiting the amount of general obligation debt to 10% of its total assessed valuation. The current debt limitation for the District is \$895,789,525. The “AAA” long-term rating on the District’s bonds reflects the Texas Permanent School Fund guarantee.

Economic Factors and Next Year’s Budgets and Rates

Local economic growth continues in the area, as the US Census Bureau latest population estimates has listed Comal County as one of the fastest growing counties in the nation. This growth is driving an increase in local property values and student enrollment.

The unemployment rate in the New Braunfels area continues to be lower than the overall rate of 4.2%, which is slightly lower than the nationwide rate of 4.4%. As of the beginning of the 2025–2026 fiscal year, projects funded by the 2024 bond authorization are ongoing and progressing in accordance with established project schedules. While individual projects are at varying stages of completion, management does not anticipate material delays and continues to actively oversee timelines, costs, and scope to ensure successful execution of the bond program.

The District adopted a general fund budget for 2025-2026 of almost \$110.2 million. For the 2025-2026 school year, New Braunfels ISD adopted a tax rate for Maintenance & Operations of \$0.6969 per hundred-dollar valuation. Continued property growth along with restructuring of bond debt has allowed the Interest & Sinking rate to remain low with a minimal increase after the most recent bond as it is now \$0.3408 per hundred-dollar valuation.

Contacting The District’s Financial Management

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District’s finances and to show the District’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District’s business office at 1000 N. Walnut, New Braunfels, Texas, 78130 or by calling (830) 643-5700.

BASIC FINANCIAL STATEMENTS

NEW BRAUNFELS INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

June 30, 2025

Exhibit A-1

<u>Data</u>		<u>Governmental</u>
<u>Control Codes</u>		<u>Activities</u>
	Assets	
1110	Cash and cash equivalents	\$ 216,313,258
1120	Investments	67,057,353
1220	Property taxes receivable	3,041,049
1230	Allowance for doubtful accounts	(1,014,000)
1240	Due from other governments	7,446,713
1260	Due from other funds	(59,581)
1290	Other receivables	-
1300	Inventories, at cost	49,682
1410	Prepaid items	1,072,703
	Capital assets not subject to depreciation:	
1510	Land	24,011,985
1580	Construction in progress	316,501,653
	Capital assets net of depreciation:	
1520	Buildings and improvements	224,982,103
1530	Furniture and equipment	10,671,598
1550	Right-to-use assets	1,430,000
1000	Total Assets	<u>871,504,516</u>
	Deferred Outflows of Resources	
	Deferred charge on refunding	1,106,158
	Deferred outflows - pension	7,234,451
	Deferred outflows - OPEB	9,046,343
1700	Total Deferred Outflows of Resources	<u>17,386,952</u>
	Liabilities	
2110	Accounts payable	19,655,745
2140	Interest payable	10,564,380
2150	Payroll deductions and withholdings payables	557,645
2160	Accrued wages payable	8,710,462
2177	Due to others	6,586
2180	Due to other governments	18,105
2200	Accrued expenses	9,203,302
2300	Unearned revenue	2,118,381
	Noncurrent Liabilities:	
2501	Due within one year: Bonds, compensated absences	12,705,563
	Due in more than one year:	
2540	Net pension liability	28,124,042
2545	Net OPEB liability	18,597,031
2502	Bonds, compensated absences	660,740,472
2000	Total Liabilities	<u>771,001,714</u>
	Deferred Inflows of Resources	
	Deferred inflows - gain on refunding	2,313,734
	Deferred inflows - pension	1,057,412
	Deferred inflows - OPEB	16,617,921
2600	Deferred Inflows of Resources	<u>19,989,067</u>
	Net Position	
3200	Net investment in capital assets	102,686,693
	Restricted for:	
3890	Grant funds	1,489,910
3900	Unrestricted	(6,275,916)
3000	Total Net Position	<u>\$ 97,900,687</u>

NEW BRAUNFELS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2025

Exhibit B-1

Data Control Codes	Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
		Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	
						Governmental Activities	Total
Primary Government:							
Governmental Activities:							
11	Instruction	\$ 63,347,928	\$ 838,901	\$ 5,313,267	\$ (57,195,760)	\$ -	\$ (57,195,760)
12	Instructional resources and media services	1,516,269	101,964	23,451	(1,390,854)	-	(1,390,854)
13	Curriculum development and instructional staff development	3,185,107	3,819	537,807	(2,643,481)	-	(2,643,481)
21	Instructional leadership	1,409,553	-	93,919	(1,315,634)	-	(1,315,634)
23	School leadership	6,655,681	92,706	155,216	(6,407,759)	-	(6,407,759)
31	Guidance, counseling, and evaluation services	4,293,031	-	1,051,754	(3,241,277)	-	(3,241,277)
32	Social work services	419,615	-	94,357	(325,258)	-	(325,258)
33	Health services	1,646,139	-	334,269	(1,311,870)	-	(1,311,870)
34	Student transportation	4,183,896	-	46,229	(4,137,667)	-	(4,137,667)
35	Food services	5,504,176	1,529,778	2,497,655	(1,476,743)	-	(1,476,743)
36	Extracurricular activities	5,928,448	1,852,482	156,741	(3,919,225)	-	(3,919,225)
41	General administration	5,210,100	3,986	89,070	(5,117,044)	-	(5,117,044)
51	Facilities maintenance and operations	10,982,241	23,054	121,523	(10,837,664)	-	(10,837,664)
52	Security and monitoring services	2,124,917	-	311,627	(1,813,290)	-	(1,813,290)
53	Data processing services	1,967,948	333	22,394	(1,945,221)	-	(1,945,221)
61	Community services	931,586	3,647	207,747	(720,192)	-	(720,192)
72	Interest on long-term debt	26,749,332	-	3,644,416	(23,104,916)	-	(23,104,916)
93	Payments to member districts of shared service arrangements	25,258	-	25,258	-	-	-
99	Other intergovernmental charges	863,950	-	-	(863,950)	-	(863,950)
TG	Total Governmental Activities	\$ 146,945,175	\$ 4,450,670	\$ 14,726,700	(127,767,805)	-	(127,767,805)
	Total Primary Government	146,945,175	4,450,670	14,726,700	(127,767,805)	-	(127,767,805)
General Revenues:							
Taxes:							
MT	Property taxes, levied for general purposes				61,972,103	-	61,972,103
DT	Property taxes, levied for debt service				30,348,686	-	30,348,686
SF	State-aid formula grants				25,344,120	-	25,344,120
IE	Investment earnings				16,391,150	-	16,391,150
MI	Miscellaneous				1,397,474	-	1,397,474
TR	Total General Revenues				135,453,533	-	135,453,533
CN	Change in net position				7,685,728	-	7,685,728
NB	Net Position - Beginning, as Previously Reported				89,404,959	88,548	89,493,507
PA	Restatements				810,000	-	810,000
	Net Position - Beginning, as Restated				90,214,959	88,548	90,303,507
NE	Net Position - Ending				\$ 97,900,687	\$ 88,548	\$ 97,989,235

See notes to the financial statements.

NEW BRAUNFELS INDEPENDENT SCHOOL DISTRICT

Exhibit C-1

**BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2025**

Data Control Codes	199	599	699	Nonmajor	Total	
	General Fund	Debt Service Fund	Capital Projects Fund	Governmental Funds	Governmental Funds	
Assets						
1110	Cash and cash equivalents	\$ 30,104,196	\$ 3,704,984	\$ 174,406,721	\$ 3,839,810	\$ 212,055,711
1120	Investments	12,231,806	-	54,825,547	-	67,057,353
Receivables:						
1220	Property taxes - delinquent	2,104,903	936,146	-	-	3,041,049
1230	Allowance for uncollectible taxes (credit)	(702,000)	(312,000)	-	-	(1,014,000)
1240	Due from other governments	5,120,043	-	-	2,326,670	7,446,713
1260	Due from other funds	2,455,895	549,835	-	175,224	3,180,954
1290	Other receivables	-	-	-	-	-
1300	Inventories, at cost	11,825	-	-	37,857	49,682
1410	Prepaid items	1,072,703	-	-	-	1,072,703
1000	Total Assets	<u>\$ 52,399,371</u>	<u>\$ 4,878,965</u>	<u>\$ 229,232,268</u>	<u>\$ 6,379,561</u>	<u>\$ 292,890,165</u>
Liabilities						
2110	Accounts payable	\$ 178,568	\$ -	\$ 18,864,455	\$ 531,272	\$ 19,574,295
2150	Payroll deductions and withholdings	557,645	-	-	-	557,645
2160	Accrued wages payable	8,420,561	-	-	289,901	8,710,462
2170	Due to other funds	1,370,340	-	-	2,207,139	3,577,479
2177	Due to others	6,586	-	-	-	6,586
2180	Due to other governments	3,073	-	-	15,032	18,105
2200	Accrued expenditures	44,602	-	9,155,173	3,527	9,203,302
2300	Unearned revenue	1,948,013	162,576	-	7,792	2,118,381
2000	Total Liabilities	<u>12,529,388</u>	<u>162,576</u>	<u>28,019,628</u>	<u>3,054,663</u>	<u>43,766,255</u>
Deferred Inflows of Resources						
	Unavailable revenues - property taxes	1,402,903	624,146	-	-	2,027,049
2600	Deferred Inflows of Resources	<u>1,402,903</u>	<u>624,146</u>	<u>-</u>	<u>-</u>	<u>2,027,049</u>
Fund Balances						
Non-Spendable:						
3410	Inventories	11,825	-	-	37,857	49,682
3430	Prepaid items	1,072,703	-	-	-	1,072,703
Restricted:						
3450	Grant funds	-	-	-	1,457,529	1,457,529
3470	Capital acquisitions and contractual obligations	-	-	182,225,065	-	182,225,065
3480	Debt service	-	4,092,243	-	-	4,092,243
Committed:						
3510	Construction	9,386,346	-	18,987,575	-	28,373,921
3530	Capital expenditures for equipment	9,092	-	-	-	9,092
3545	Other purposes	-	-	-	1,318,620	1,318,620
3600	Unassigned	27,987,114	-	-	510,892	28,498,006
3000	Total Fund Balances	<u>38,467,080</u>	<u>4,092,243</u>	<u>201,212,640</u>	<u>3,324,898</u>	<u>247,096,861</u>
4000	Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 52,399,371</u>	<u>\$ 4,878,965</u>	<u>\$ 229,232,268</u>	<u>\$ 6,379,561</u>	<u>\$ 292,890,165</u>

NEW BRAUNFELS INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF BALANCE SHEET FOR GOVERNMENTAL FUNDS TO
STATEMENT OF NET POSITION
June 30, 2025

Exhibit C-1R

<u>Data Control Codes</u>		
	Total Fund Balances - Governmental Funds Balance Sheet	\$ 247,096,861
	Amounts reported for governmental activities in the statement of net position are different because:	
	Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.	
1	Capital assets	688,526,858
2	Accumulated depreciation/amortization	<u>(110,929,519)</u>
	Capital Assets, Net of Accumulated Depreciation	
	Differences between expected and actual experiences, assumption changes and net differences between projected and actual earnings and contributions subsequent to the measurement date for the postretirement benefits (pension and OPEB) are recognized as deferred outflows of resources and deferred inflows of resources on the statement of net position.	
3	Deferred outflows - pensions	7,234,451
4	Deferred inflows - pensions	(1,057,412)
5	Deferred outflows - OPEB	9,046,343
6	Deferred inflows - OPEB	<u>(16,617,921)</u>
	Total Deferred Outflows and Inflows Related to Postemployment Benefits	
7	Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	2,027,049
8	The assets and liabilities of the internal service funds are included in the governmental activities in the Statement of Net Position.	4,513,041
	Long-term liabilities that are not due and payable in the current period, and therefore, are not reported in the funds.	
9	Bonds payable	(625,430,000)
10	Compensated absences	(730,893)
11	Accrued interest on long-term debt	(10,564,380)
12	Arbitrage payable	(10,754,312)
13	Net pension liability	(28,124,042)
14	Net OPEB liability	<u>(18,597,031)</u>
	Total Long-Term Liabilities	
	Governmental funds report the effect of premiums, discounts, and refundings and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
15	Deferred amount on refunding	(1,207,576)
16	Premium on bonds	<u>(36,530,830)</u>
	Total Premiums and Deferred Items	
29	Total Net Position-Governmental Activities	<u>\$ 97,900,687</u>

NEW BRAUNFELS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2025

Exhibit C-2

Data Control Codes	199	599	699	Nonmajor	Total	
	General Fund	Debt Service Fund	Capital Projects Fund	Governmental Funds	Governmental Funds	
Revenues						
5700	Local, intermediate, and out-of-state	\$ 66,961,541	\$ 30,391,208	\$ 13,399,124	\$ 3,800,131	\$ 114,552,004
5800	State program revenues	30,869,926	3,644,416	50,540	1,029,119	35,594,001
5900	Federal program revenues	1,349,599	-	-	6,804,734	8,154,333
5020	Total Revenues	<u>99,181,066</u>	<u>34,035,624</u>	<u>13,449,664</u>	<u>11,633,984</u>	<u>158,300,338</u>
Expenditures						
Current:						
0011	Instruction	57,724,131	-	412,238	3,371,369	61,507,738
0012	Instruction resources and media services	1,311,157	-	-	78,396	1,389,553
0013	Curriculum and instructional staff development	2,837,928	-	-	463,071	3,300,999
0021	Instructional leadership	1,452,258	-	-	63,029	1,515,287
0023	School leadership	6,883,657	-	-	74,617	6,958,274
0031	Guidance, counseling and evaluation services	3,573,563	-	-	949,070	4,522,633
0032	Social work services	363,773	-	-	83,304	447,077
0033	Health services	1,598,802	-	6,340	93,479	1,698,621
0034	Student transportation	3,393,464	-	316,461	-	3,709,925
0035	Food services	-	-	-	5,031,135	5,031,135
0036	Extracurricular activities	3,560,120	-	239,058	1,240,870	5,040,048
0041	General administration	4,816,835	-	30,030	10,884	4,857,749
0051	Facilities maintenance and operations	11,274,338	-	274,578	98,911	11,647,827
0052	Security and monitoring services	1,704,331	-	88,882	309,007	2,102,220
0053	Data processing services	2,029,231	-	41,160	256	2,070,647
0061	Community services	748,821	-	-	202,322	951,143
Debt service:						
0071	Principal on long-term debt	-	12,747,000	-	-	12,747,000
0072	Interest on long-term debt	-	23,248,563	-	-	23,248,563
0073	Bond issuance costs and fees	-	15,250	641,053	-	656,303
Capital outlay:						
0081	Facilities acquisition and construction	-	-	178,739,734	-	178,739,734
Intergovernmental:						
Payments related to shared services						
0093	arrangements	-	-	-	25,258	25,258
0099	Other intergovernmental charges	863,950	-	-	-	863,950
6030	Total Expenditures	<u>104,136,359</u>	<u>36,010,813</u>	<u>180,789,534</u>	<u>12,094,978</u>	<u>333,031,684</u>
1100	Excess (deficiency) of revenues over expenditures	<u>(4,955,293)</u>	<u>(1,975,189)</u>	<u>(167,339,870)</u>	<u>(460,994)</u>	<u>(174,731,346)</u>
Other Financing Sources (Uses)						
7911	Capital-related debt issued (regular bonds)	-	-	124,650,000	-	124,650,000
7915	Transfers in	-	-	20,000,000	-	20,000,000
7916	Premium on issuance of bonds	-	411,057	991,053	-	1,402,110
8911	Transfers out	(20,000,000)	-	-	-	(20,000,000)
7080	Total Other Financing Sources (Uses)	<u>(20,000,000)</u>	<u>411,057</u>	<u>145,641,053</u>	<u>-</u>	<u>126,052,110</u>
1200	Net change in fund balances	<u>(24,955,293)</u>	<u>(1,564,132)</u>	<u>(21,698,817)</u>	<u>(460,994)</u>	<u>(48,679,236)</u>
0100	Fund Balances - Beginning, as Previously Reported	64,172,373	5,656,375	229,951,841	3,785,892	303,566,481
1300	Restatements	<u>(750,000)</u>	<u>-</u>	<u>(7,040,384)</u>	<u>-</u>	<u>(7,790,384)</u>
	Fund Balances - Beginning, as Restated	<u>63,422,373</u>	<u>5,656,375</u>	<u>222,911,457</u>	<u>3,785,892</u>	<u>295,776,097</u>
3000	Fund Balances - Ending	<u>\$ 38,467,080</u>	<u>\$ 4,092,243</u>	<u>\$ 201,212,640</u>	<u>\$ 3,324,898</u>	<u>\$ 247,096,861</u>

NEW BRAUNFELS INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2025

Exhibit C-2R

Data
Control
Codes

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

	Net Change in Fund Balances - Total Governmental Funds	\$ (48,679,236)
	Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
1	Capital outlay	180,926,499
2	Depreciation/amortization	(9,655,500)
	Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
3	Earned but unavailable taxes	(99,217)
	Bond and other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond and other debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
4	Issuance of capital bonds	(124,650,000)
5	Issuance of bonds - premium	(1,402,110)
6	Principal paid on bonds	12,747,000
7	Arbitrage expense	(2,988,030)
	Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
8	Accrued interest on long-term debt	(2,025,373)
9	Amortization of bond premiums and discounts	2,144,670
10	Amortization of deferred amounts of refunding	24,267
11	Compensated absences	(57,261)
12	Changes in net pension liabilities and related deferred outflows and inflows of resources	(1,341,984)
13	Changes in net OPEB liabilities and related deferred outflows and inflows of resources	2,437,505
	Internal service funds are used by management to charge the costs of certain activities to individual funds.	
14	The net revenue (expense) of the internal service funds is reported with governmental activities.	304,498
	Change in Net Position of Governmental Activities	<u><u>\$ 7,685,728</u></u>

NEW BRAUNFELS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2025

Exhibit D-1

	<u>Buness-type Activities</u>	<u>Governmental Activities</u>
	<u>Athletic Camps</u>	<u>Internal Service Funds</u>
Assets:		
Current assets:		
Cash and cash equivalents	\$ 28,967	\$ 4,257,547
Due from other funds	59,581	585,700
Total Assets	<u>\$ 88,548</u>	<u>\$ 4,843,247</u>
Liabilities:		
Current liabilities:		
Accounts payable	\$ -	\$ 81,450
Due to other funds	-	248,756
Total Liabilities	<u>\$ -</u>	<u>\$ 330,206</u>
Net Position:		
Restricted	\$ -	\$ 156,906
Unrestricted	88,548	4,356,135
Total Net Position	<u>\$ 88,548</u>	<u>\$ 4,513,041</u>

NEW BRAUNFELS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2025

Exhibit D-2

	<u>Buness-type Activities</u>	<u>Governmental Activities</u>
	<u>Athletic Camps</u>	<u>Internal Service Funds</u>
Operating Revenues		
Charges for Services	\$ -	\$ 381,123
Total Operating Revenues	<u>-</u>	<u>381,123</u>
Operating Expenses		
Other operating expense	-	224,119
Total Operating Expenses	<u>-</u>	<u>224,119</u>
Operating Income (Loss)	<u>-</u>	<u>157,004</u>
Non-Operating Revenues (Expenses)		
Earnings on investments	-	147,494
Total Non-Operating Revenues (Expenses)	<u>-</u>	<u>147,494</u>
Change in Net Position	-	304,498
Net Position - Beginning	<u>88,548</u>	<u>4,208,543</u>
Net Position - Ending	<u>\$ 88,548</u>	<u>\$ 4,513,041</u>

NEW BRAUNFELS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2025

Exhibit D-3

	Buness-type Activities	Governmental Activities
	Athletic Camps	Internal Service Funds
Cash Flows from Operating Activities:		
Cash received from interfund services provided	\$ -	\$ 381,123
Cash payments for insurance claims	-	(142,669)
Cash payments for other operating expenses	(353)	-
Net Cash Provided by (Used for) Operating Activities	(353)	238,454
Cash Flows from Investing Activities:		
Proceeds from earnings on investments	-	147,494
Net Cash Provided by (Used for) Investing Activities	-	147,494
Net Increase (Decrease) in Cash and Cash Equivalents	(353)	385,948
Cash and Cash Equivalents, Beginning of Year	29,320	3,871,599
Cash and Cash Equivalents, End of Year	\$ 28,967	\$ 4,257,547
Operating Income (Loss)	\$ -	\$ 157,004
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Increase (decrease) in accounts payable	(353)	81,450
Total Adjustments	(353)	81,450
Net Cash Provided by (Used for) Operating Activities	\$ (353)	\$ 238,454

NEW BRAUNFELS INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

For the Year Ended June 30, 2025

Exhibit E-1

	<u>Custodial Fund</u>
Assets	
Cash and cash equivalents	\$ 50,171
Receivables:	
Due from others	<u>\$ 6,586</u>
Total Assets	<u><u>\$ 56,757</u></u>
Net Position	
Restricted	<u>\$ 3,991</u>
Total Net Position	<u><u>\$ 56,757</u></u>

NEW BRAUNFELS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2025

Exhibit E-2

	Custodial Fund
Additions	
Fundraising	\$ 80,423
Total Additions	<u>80,423</u>
Deductions	
Student activities	<u>76,432</u>
Total Deductions	<u>76,432</u>
Change in Net Position	3,991
Net Position - Beginning	<u>52,766</u>
Net Position - Ending	<u><u>\$ 56,757</u></u>

Note 1 - Summary of Significant Accounting Policies

The Financial Reporting Entity

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

The Board of Trustees (the "Board") is elected by the public and it has the decision-making authority, the power to designate management, the ability to significantly influence operations and the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB"). There are no component units included within the reporting entity.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. All fiduciary activities are reported only in the fund financial statements. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are supported by taxes, state foundation funds and intergovernmental revenue. *Business-type activities*, which rely to a significant extent on fees and charges to external customers for support, are reported separately.

The statement of activities demonstrates the degree to which 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 customers or applicants who purchase, use, or directly benefit from goods or services provided by a given function or segment of the District, examples include tuition paid by students not residing in the District, school lunch charges, etc. and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a given function or segment, examples include grants under the Elementary and Secondary Education Act. Taxes and other items not properly included among program revenue are reported instead as general revenue.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories – governmental, proprietary and fiduciary. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenue is 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 revenue 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.

Note 1 - Summary of Significant Accounting Policies (continued)

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

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

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

The District reports the following major governmental funds:

General Fund – The General Fund is the District's primary operating fund. It is used to account for all financial transactions except for those required to be accounted for in another fund. Major revenue sources include local property taxes and state funding under the Foundation School Program. Expenditures include all costs associated with the daily operations of the District except for costs accounted for in another fund.

Debt Service Fund – The Debt Service Fund accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt. Revenues include property taxes, state funding under the Instructional Facilities and Existing Debt Allotments and earned interest. The fund balance represents amounts that are available for retirement of future payments of principal, interest and fees.

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

In addition, the District reports the following fund types:

Proprietary Funds – Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the District's business-type activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues include charges for services. Operating expenses includes costs of material, contracts, personnel, and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Note 1 - Summary of Significant Accounting Policies (continued)

Enterprise Fund – The enterprise funds are used to account for and report operations that are financed and operated in a manner similar to private business enterprises where the intent of the District is that the costs (expenses including depreciation) of providing goods or services on a continuing basis will be financed or recovered primarily through user charges. This fund is reported as business-type activities in the government-wide financial statements.

Internal Service Fund – These funds are used to account for and report revenue and expenses related to services provided to parties inside the District on a cost reimbursement basis. These funds account for the District’s workers’ compensation risk management, the District’s health insurance, and the central office copiers. Because the principal users of the internal service funds are the District’s governmental activities, this fund type is included in the governmental activities column of the governmental-wide financial statements.

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

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

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in the governmental activities are eliminated.

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

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

Deposits and Investments

The District’s cash and cash equivalents are considered as cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

Investments for the District are reported at fair value, except for the position in investment pools. The District’s investments in Pools are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. Interest earned on pooled cash and investments is allocated to the participating funds on a pro rata basis according to the fund’s percentage of the total pooled cash or investments. Funds with discrete bank accounts retain all investment earnings.

TexPool and LoneStar have a redemption notice period of one day and may redeem daily. The investment pool’s authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool’s liquidity.

Note 1 - Summary of Significant Accounting Policies (continued)

Property Taxes

Delinquent property tax receivables are prorated between the General Fund and Debt Service Fund based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables is based on historical experience in collecting property taxes. Management periodically reviews outstanding property taxes and establishes an allowance adequate to reflect the anticipated net collectible balance. The District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Property taxes are levied by October 1 and are due and payable at that time. The Board establishes the District's property tax rates annually. On January 1 of each year, a tax lien attaches to property to secure the payment of penalties imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period and those expected to be collected during the 60-day period after the close of the District's fiscal year.

Inventories and Prepaid Items

The District uses the consumption method to account for inventories of food products, school supplies, and athletic equipment. Under this method, these items are carried in an inventory account of the respective fund at cost, using the first-in, first-out method of accounting and are subsequently charged to expenditures when consumed. In the General Fund, reported inventories are offset by a fund balance reserve. Inventories of food commodities used in the food service program are recorded at acquisition value. Although commodities are received at no cost, the acquisition value is recorded as inventory and unearned revenue when received. When requisitioned, inventory and unearned revenues are relieved, expenditures are charged, and revenue is recognized for an equal amount. 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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets, which include land, buildings and improvements, furniture and equipment and construction in progress, are reported in the governmental-activities column in the government-wide financial statements. The cost of the infrastructure (e.g., roads, bridges, sidewalks, and similar items) was initially capitalized with the building cost and is being depreciated over the same useful life as the building. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date. Additionally, the District's policy is to capitalize groups of assets, regardless of the individual cost of the item, when the total group purchase exceeds \$50,000.

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.

Note 1 - Summary of Significant Accounting Policies (continued)

Land and construction in progress are not depreciated or amortized. The other capital asset classes are depreciated/amortized using the straight-line method over the following estimated useful lives or amortization term as defined below:

<u>Capital Asset Classes</u>	<u>Estimated Useful Lives or Amortization Term</u>
Buildings and improvements	7 to 40 years
Vehicles	5 to 10 years
Equipment	5 to 20 years
Right to use lease assets	Lease term
SBITAs	Subscription term

Leases and Subscription-Based Information Technology Arrangements (SBITAs) – From time to time, the District may enter into noncancellable multi-year agreements for the right to use lease or subscription assets. Long-term lease and SBITA liabilities and intangible right-to-use assets are required to be reported in the government-wide financial statements, if applicable. The District recognizes lease/SBITA liabilities with an initial, individual value of \$5,000 or more.

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

Key estimates and judgments related to leases/SBITAs include how the District determines (1) the discount rate it uses to discount the expected payments to present value, (2) contract term, and (3) payments. The District uses the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate. The contract term includes the noncancellable period of the agreement. Payments included in the measurement of the liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

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

Note 1 - Summary of Significant Accounting Policies (continued)

Unearned Revenues

Unearned revenues represent revenues received by the District but not yet earned and are not available for use by the District to liquidate current year liabilities.

Long-term Obligations

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, business-type activities, or proprietary fund Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount.

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

Note 1 - Summary of Significant Accounting Policies (continued)

Compensated Absences

A liability is recognized for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. Based on the criteria listed, the following types of leave are assessed annually to determine if they qualify for liability recognition - *local leave, state personal leave, state sick leave, and sick leave bank*. The liability for compensated absences is reported as incurred in the government-wide and proprietary fund financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Local Leave

The policy effective during the current fiscal year permits employees to earn 5-7 paid local leave days per school year in accordance with administrative regulations and shall accumulate without limit. A liability for the estimated value of local leave that will be used by employees as time off is included in the liability for compensated absences.

State Personal Leave

Districts are required to provide employees with five days per year of state personal leave, in accordance with Texas Education Code 22.003(a), with no limit on accumulation and no restrictions on transfer among districts. A liability for the estimated value of state personal leave that will be used by employees as time off is included in the liability for compensated absences.

State Sick Leave (Accumulated Prior to 1995)

District employees retain any sick leave accumulated as state minimum sick leave under former Section 13.904(a) of the Texas Education Code. A liability for the estimated value of state sick leave (accumulated prior to 1995) that will be used by employees as time off is included in the liability for compensated absences.

Sick Leave Bank

Employees may participate in the District's sick leave bank through contribution of local leave. Leave contributed to the bank is solely for the use of participating employees. An employee who is a member of the bank may request leave from the bank if the employee or a member of the employee's immediate family experiences a catastrophic illness or injury, and the employee has exhausted all paid leave and any applicable compensatory time. The Superintendent is responsible for developing regulations for the operation of the sick bank. A liability for the sick leave bank is calculated based on the average pay rate of participating employees and the amount of hours remaining in the bank.

Payment for Accumulated Leave Upon Retirement - An employee who retires from the District shall be eligible for payment for accumulated state leave if he or she was continuously employed by the District in the 2010-11 school year. An employee who retires from the District and has at least five years of service with the District shall receive payment for each day of accumulated state leave. The employee must file for retirement in the same Texas Teacher Retirement System (TRS) year that the employee resigns. A full-time professional employee shall be paid at a rate of \$60 per day. A full-time paraprofessional or auxiliary employee who works 30 or more hours per week shall be paid at a rate of \$30 per day. The employee shall receive payment in August of the same year. The rate established by the Board shall be in effect until the Board adopts a new rate. Any changes to the rate shall apply beginning with the school year following the adoption of the rate change. If the employee is reemployed with the District, days for which the employee received payment shall not be available to that employee. A liability for the estimated value of leave that is more likely than not to be paid upon retirement is included in the liability for compensated absences.

Note 1 - Summary of Significant Accounting Policies (continued)

Defined-Benefit Pension Plan

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

Other Post-Employment Benefits

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.

Deferred Outflows/Inflow of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two items that qualify for reporting in this category. It is deferred charge on refunding and deferred outflow related to TRS reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The item related to TRS represents the District's share of the unrecognized plan deferred outflow of resources which TRS uses in calculating the ending net pension liability.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows or resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of inflow which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The District also recognizes their share of the unrecognized TRS plan deferred inflows of resources which TRS uses in calculating the ending net pension liability. This is reported under full accrual basis of accounting.

Net Position

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

Note 1 - Summary of Significant Accounting Policies (continued)

Net Position Flow Assumption

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

Fund Balance

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

- **Non-spendable:** This classification includes amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements. Examples include inventories, long-term receivables, endowment principal, and/or prepaid/deferred items.
- **Restricted:** This classification includes the component of the spendable fund balance constrained to a specific purpose by a provider, such as a creditor. Grantor, contributor, or law or regulation of other governments. Restricted fund balance includes funds for federal/state grants, construction programs, debt service, and other restrictions.
- **Committed:** This classification includes the component of spendable fund balance constrained to a specific purpose by the Board. A Board resolution is required to establish, modify, or rescind fund balance commitment. Only the action that constitutes the most binding constraint of the Board can be considered a commitment for fund balance classification purposes. Committed fund balance includes campus activity funds.
- **Assigned:** This classification includes the component of the spendable fund balance that is spendable or available for appropriation but has been tentatively earmarked for some specific purpose by the Board of Trustees or by an official or body to which the Board of Trustees delegates. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund are assigned for purposes in accordance with the nature of their fund type of the fund’s primary purpose. Assignments within the general fund conveys that the intended use of those amounts is a specific purpose that is narrower than the general purposes of the District itself.
- **Unassigned:** This classification includes the residual classification of the General Fund and includes all amounts not contained in other classifications. This portion of the total fund balance in the general fund is available to finance operating expenditures. Only the General Fund will have unassigned amounts. By accounting for amounts in other funds, the District has implicitly assigned the funds for purposes of those particular funds.

Fund Balance Flow Assumption

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

Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimations and assumptions that affect the reported amounts of 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 1 - Summary of Significant Accounting Policies (continued)

Data Control Codes

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

Implementation of New Standards

GASB issued Statement No. 101, *Compensated Absences*, 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 fiscal year 2025 and the impact is reflected in the financial statements. See the Note 13 to the financial statements for more information on restatements of beginning balances for more information.

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 did not impact the financial statements.

Note 2 - Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. The depository bank deposits for safekeeping and trust with the District's agent, approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. Therefore, the District is not exposed to custodial credit risk. Under the depository contract, the District, at its own discretion, may invest funds in time deposits and certificates of deposit provided by the depository bank at interest rates approximating United States Treasury Bill rates.

At June 30, 2025, the carrying amount of the District's deposits was \$14,542,143, which includes funds in a sweep account of \$1,537,734, and the bank balance was \$15,205,724. The District's deposits with financial institutions at June 30, 2025 and during the year then ended were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name. The deposits were collateralized in accordance with Texas law and the Texas Education Agency maintains copies of all safekeeping receipts in the name of the District. Funds were properly secured at all times throughout the year and the following is disclosed regarding coverage of combined balances on the date of highest deposit.

The District maintains a cash pool consisting of demand deposits. The combined pool is available for use by most Special Revenue Funds. If a fund overdraws its share of the pool, the overdraft is reported as an interfund payable in that fund. The offsetting interfund receivable is reported in the General Fund.

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank 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.

Note 2 - Deposits and Investments (continued)

Cash and deposits of the District include all amounts deposited at the District’s depository bank, including demand deposits and certificates of deposit. As of year-end the District’s cash deposits were entirely covered by FDIC insurance or by pledged collateral held by the District’s agent bank in the District’s name.

Investments, including those considered to be cash equivalents, consisted of the following as of June 30, 2025:

	<u>Fair Value /</u> <u>Amortized Cost</u>	<u>Less than 1 year</u>	<u>WAM</u>	<u>Percentage of</u> <u>Portfolio</u>	<u>S&P</u> <u>Credit</u> <u>Rating</u>
Governmental Activities:					
Cash Equivalents:					
Investment pool - TexPool	\$ 185,335,340	\$ 185,335,340	38	69.0%	AAAm
Investment pool - Lone Star	16,507,988	16,507,988	31	6.1%	AAAm
Investments:					
Money market	27,471,380	27,471,380	1	10.2%	N/A
Federal Agency Securities	3,299,050	3,299,050	171	1.2%	AA+
US Treasury Securities - Amortizing	27,399,494	27,399,494	16	10.2%	AA+
US Treasury Securities	8,894,707	8,894,707	467	3.3%	AA+
	<u>\$ 268,907,959</u>	<u>\$ 268,907,959</u>	47	<u>100%</u>	

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Level 1 inputs used were documented trade history in exact securities, and level 2 inputs were discounted expected future cash flows.

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

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

Note 2 - Deposits and Investments (continued)

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

Credit risk – This is the risk that a security issuer may default on an interest or principal payment. State law limits investment in local government pools to those that are rated AAA or equivalent by at least one Nationally Recognized Statistical Rating Organization (NRSRO). The District controls and monitors this risk by purchasing quality rated instruments that have been evaluated by agencies such as Standard and Poor’s (S&P) or Moody’s Investors Service, or by investing in public fund investment pools rated no lower than AAA or AAAM.

Custodial credit risk – For an investment this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The District’s investment in TexPool and Lone Star are not exposed to custodial risk. External investment pools are not subject to custodial risk because investments are not evidenced by securities that exist in physical or book entry form. State law limits investments in public funds investment pools to those rated no lower than AAA or AAAM or an equivalent rating by at least one nationally recognized rating service. As of June 30, 2024, the District’s investments in TexPool and Lone Star and TexStar are rated at least AAA or AAAM.

Concentration of credit risk – To limit the risk of loss attributed to the magnitude of a government’s investment in a single issuer, the District limits investments to less than 5% of its total investments. The District further limits investments in a single issuer when they would cause investments risks to be significantly greater in the governmental activities, individual major funds, aggregate non-major funds and fiduciary fund types than they are in the primary government.

Interest rate risk – The risk that changes in market interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the District limits the weighted average maturity of its portfolio. Management considers interest rate risk to be minimal due to the diversity and liquidity requirements imposed on the external investment pools.

Note 3 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2025 was as follows:

	Interfund Balances		
	Receivable	Payable	Net
General Fund	\$ 2,455,895	\$ (1,370,340)	\$ 1,085,555
Debt Service Fund	549,835	-	549,835
Nonmajor Governmental Funds	175,224	(2,207,139)	(2,031,915)
Nonmajor Enterprise Funds	59,581	-	59,581
Internal Service Funds	585,700	(248,756)	336,944
Total	\$ 3,826,235	\$ (3,826,235)	\$ -

Balances resulted from the lag between the dates that 1) interfund goods and services are provided on reimbursable expenditures occur, and 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

The composition of balances due between the primary government and fiduciary funds as of June 30, 2025 was as follows:

	Amounts due between Primary Government and Fiduciary Funds		
	Receivable	Payable	Net
General Fund	\$ -	\$ (6,586)	\$ (6,586)
Fiduciary Funds	6,586	-	6,586
Total	\$ 6,586	\$ (6,586)	\$ -

Note 4 - Receivables and Unearned Revenue

Receivables as of June 30, 2025, including the applicable allowances for uncollectible amounts, are as follows:

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Property taxes	\$ 2,104,903	\$ 936,146	\$ -	\$ -	\$ 3,041,049
Due from state	5,120,043	-	-	2,305,918	7,425,961
Due from other governme	-	-	-	20,752	20,752
Other	-	-	-	-	-
Gross Receivables	<u>7,224,946</u>	<u>936,146</u>	<u>-</u>	<u>2,326,670</u>	<u>10,487,762</u>
Less allowance for doubtful accounts	(702,000)	(312,000)	-	-	(1,014,000)
Net Total Receivables	<u><u>\$ 6,522,946</u></u>	<u><u>\$ 624,146</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,326,670</u></u>	<u><u>\$ 9,473,762</u></u>

Unearned revenue as of June 30, 2025 consisted of the following:

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Unearned revenue	\$ 1,948,013	\$ 162,576	\$ 7,792	\$ 2,118,381

The unearned revenue reported in the General Fund is primarily due to state aid formula funding received, but not yet earned as of June 30, 2025. The unearned revenue in the nonmajor governmental funds consists primarily of amounts received for various grant programs, but not yet earned as of June 30, 2025.

Note 5 - Revenues From Local and Intermediate Sources

For the year ended June 30, 2025, revenues from local and intermediate sources in the governmental funds consisted of the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total
Property Taxes	\$ 62,138,074	\$ 30,281,932	\$ -	\$ -	\$ 92,420,006
Food service	-	-	-	1,529,766	1,529,766
Investment Earnings	2,735,256	109,276	13,399,124	-	16,243,656
Campus Activities	40,401	-	-	2,150,391	2,190,792
Tuition/Fees	367,199	-	-	-	367,199
Athletics	325,557	-	-	-	325,557
Gifts and Bequests	-	-	-	54,500	54,500
Rent	23,054	-	-	-	23,054
Miscellaneous	1,332,000	-	-	65,474	1,397,474
Total	<u><u>\$ 66,961,541</u></u>	<u><u>\$ 30,391,208</u></u>	<u><u>\$ 13,399,124</u></u>	<u><u>\$ 3,800,131</u></u>	<u><u>\$ 114,552,004</u></u>

Note 6 - Capital Assets

Capital asset activity for the year ended June 30, 2025 was as follows:

	Beginning Balance	Additions	(Retirements)	Transfers	Ending Balance
Capital Assets, Not being Depreciated					
Land	\$ 24,011,985	\$ -	\$ -	\$ -	\$ 24,011,985
Construction in progress	160,379,871	175,883,376	-	(19,761,594)	316,501,653
Total Capital Assets, Not being Depreciated	<u>184,391,856</u>	<u>175,883,376</u>	-	<u>(19,761,594)</u>	<u>340,513,638</u>
Capital Assets, Being Depreciated/Amortized					
Buildings and improvements	302,310,806	665,838	-	19,761,594	322,738,238
Furniture and equipment	19,137,697	4,377,285	-	-	23,514,982
Intangible assets:					
PPP assets (beginning balance restated)	1,760,000	-	-	-	1,760,000
Total Capital Assets, Being Depreciated/Amortized	<u>323,208,503</u>	<u>5,043,123</u>	-	<u>19,761,594</u>	<u>348,013,220</u>
Less accumulated Depreciation/Amortization for:					
Buildings and improvements	(89,419,504)	(8,336,631)	-	-	(97,756,135)
Furniture and Equipment	(11,634,515)	(1,208,869)	-	-	(12,843,384)
Intangible assets:					
PPP assets (beginning balance restated)	(220,000)	(110,000)	-	-	(330,000)
Total Accumulated Depreciation/Amortization	<u>(101,274,019)</u>	<u>(9,655,500)</u>	-	-	<u>(110,929,519)</u>
Governmental Capital Assets	<u>\$ 406,326,340</u>	<u>\$ 171,270,999</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 577,597,339</u>

Net investment in capital assets as of June 30, 2025 as reported on the Statement of Net Position was calculated as follows:

Capital Assets, Net of Accumulated Depreciation/Amortization	\$ 577,597,339
Less:	
Outstanding principal of capital-related debt	(625,430,000)
Other non-debt capital related liabilities	(28,019,628)
Unamortized premiums on bonds	(36,530,830)
Unamortized deferred gain on refunding	(2,313,734)
Plus:	
Unspent bond proceeds	216,277,388
Unamortized deferred loss on refunding	1,106,158
Net Investment in Capital Assets	<u><u>\$ 102,686,693</u></u>

Note 6 - Capital Assets (continued)

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

Function	Depreciation/ Amortization Expense
Instruction	\$ 5,875,706
Instructional resources and media services	187,589
Curriculum development and instructional staff development	89,817
School leadership	107,595
Guidance, counseling, and evaluation services	41,458
Health services	31,470
Student transportation	749,412
Food services	518,909
Extracurricular activities	1,017,561
General administration	354,714
Facilities maintenance and operations	412,402
Security and monitoring services	26,795
Data processing services	242,072
	<u>\$ 9,655,500</u>

As of June 30, 2025, the District was committed under construction contracts with the following remaining balances:

Project	Authorized Budget	Construction in Progress	Remaining Commitment
Long Creek High School	\$ 150,353,347	\$ 121,631,375	\$ 28,721,972
Carl Schurz Elementary	2,386,448	3,777,433	(1,390,985)
New Elementary School #11	57,809,061	48,176,066	9,632,995
NBHS Turf & Stadium Lights	2,500,000	243,040	2,256,960
NBHS Replacement Phase 1	102,772,000	84,242,427	18,529,573
Legend Point Elementary	53,785,703	46,114,192	7,671,511
LCHS Stadium	40,000,000	4,124,398	35,875,602
NBHS Replacement Phase 2 (Portables)	1,500,000	1,347,189	152,811
NBHS Replacement Phase 2	226,800,000	6,125,738	220,674,262
LCHS/LPES Infrastructure Light	4,600,000	343,030	4,256,970
Other projects	500,000	376,765	123,235
	<u>\$ 643,006,559</u>	<u>\$ 316,501,653</u>	<u>\$ 326,504,906</u>

Note 6 - Capital Assets (continued)

Public-Public Partnership (“PPP”) with City of New Braunfels

On August 1, 2018, the District entered into a 20-year interlocal agreement with the City of New Braunfels for the joint use of a newly constructed municipal swimming facility. Under the terms of the agreement, NBISD contributed \$2,200,000 from current revenues toward the construction of the facility in exchange for exclusive and priority use rights during scheduled practice and competition times throughout the agreement term.

The City retains ownership and operational control of the facility outside of the District’s scheduled use. The District does not collect fees from third parties and does not operate the facility outside of its designated use periods.

The agreement includes a termination clause allowing either party to terminate with 30 days’ notice. However, if the City initiates termination, it is required to refund the District the pro-rata portion of its original contribution. The District does not incur a financial penalty upon termination. Despite this clause, the District has evaluated the agreement and determined it is reasonably certain to continue using the facility for the full 20-year term based on its operational needs and strategic investment.

The District initially recorded a prepaid expenditure in the initial year of the agreement of \$2,200,000. In accordance with GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, which was effective in fiscal year 2023, the District removed the prepaid expenditure and recognized a right-to-use asset of \$1,760,000 related to this Public-Public Partnership. The asset is being amortized on a straight-line basis over the remaining 16-year term of the agreement, resulting in an annual amortization expense of \$110,000.

As of June 30, 2025, the carrying value of the right-to-use asset is \$1,760,000, with accumulated amortization of \$330,000.

Note 7 - Long-Term Liabilities

Changes in Long-Term Liabilities

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

	<u>Beginning Balance, as Restated</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable:					
General obligation bonds	\$ 513,527,000	\$ 124,650,000	\$ (12,747,000)	\$ 625,430,000	\$ 12,477,000
Premiums/discounts	37,273,390	1,402,110	(2,144,670)	36,530,830	-
Total Bonds Payable	<u>550,800,390</u>	<u>126,052,110</u>	<u>(14,891,670)</u>	<u>661,960,830</u>	<u>12,477,000</u>
Other liabilities:					
Compensated absences*	673,632	730,893	-	730,893	228,563
Arbitrage liability	7,766,282	2,988,030	-	10,754,312	-
Net pension liability*	31,168,970	-	(3,044,928)	28,124,042	-
Net OPEB liability*	13,675,236	4,921,795	-	18,597,031	-
Total Governmental Activities	<u>\$ 604,084,510</u>	<u>\$ 134,692,828</u>	<u>\$ (17,936,598)</u>	<u>\$ 720,167,108</u>	<u>\$ 12,705,563</u>

* The changes in compensated absences, net pension liability, and net OPEB liability is a net change for the year.

As of June 30, 2025, the debt service requirements to maturity for general obligation bonds are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2026	\$ 12,477,000	\$ 25,666,481	\$ 38,143,481
2027	11,402,000	25,108,581	36,510,581
2028	12,267,000	24,610,531	36,877,531
2029	13,187,000	24,084,131	37,271,131
2030	16,151,000	23,579,131	39,730,131
2031 - 2035	114,376,000	105,480,637	219,856,637
2036 - 2040	119,795,000	80,974,475	200,769,475
2041 - 2045	138,380,000	55,291,057	193,671,057
2046 - 2050	144,355,000	24,955,670	169,310,670
2051 - 2055	43,040,000	2,558,600	45,598,600
	<u>\$ 625,430,000</u>	<u>\$ 392,309,294</u>	<u>\$ 1,017,739,294</u>

Issuance of Debt

During the current fiscal year, the District issued Series 2024 Unlimited Tax School Building Bonds in the amount of \$124,650,000 with a premium of \$1,409,110. The bonds were issued at rates ranging from 4.000% to 5.000% and will mature on February 1, 2052. The proceeds of the bonds are to be used for costs approved in the May 2024 election, which includes designing, constructing, renovating, improving, upgrading, updating, acquiring, and equipping of school facilities and sports stadiums in the District. The proceeds are also to be used for the purchase and retrofitting of school buses and acquiring and updating instructional technology equipment.

Future Bond Issues

As of June 30, 2025, the District has \$188,000,000 in authorized but unissued unlimited ad valorem tax supported bonds.

Note 7 - Long-Term Liabilities (continued)

General Obligation Bonds

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

<u>Series</u>	<u>Type</u>	<u>Date of Issue</u>	<u>Interest Rate Payable</u>	<u>Final Maturity</u>	<u>Original Amounts Issued</u>	<u>Amounts Outstanding June 30, 2025</u>
2015A	Refunding	10/01/15	2.000-4.000%	02/15/29	\$ 15,769,993	\$ 10,990,000
2016	QSCB	02/01/16	3.000-5.000%	02/15/39	47,300,000	33,220,000
2016	Building/refunding	02/01/16	0.000%	02/15/31	8,728,000	3,490,000
2017	Building	02/01/17	3.000-5.000%	02/15/40	18,400,000	16,425,000
2019	Building/refunding	01/15/19	3.000-5.000%	02/15/42	74,035,000	59,660,000
2020	Building/refunding	01/15/20	4.000-5.000%	02/15/43	47,542,234	37,080,000
2021	Building	01/15/21	2.000-4.000%	02/15/44	35,425,000	33,085,000
2022	Building/refunding	01/15/22	2.500-5.000%	02/15/49	132,120,000	119,565,000
2022B	Building/refunding	11/01/22	4.125-5.000%	02/15/49	193,555,000	189,570,000
2024	Building	08/15/24	4.000-5.000%	02/15/52	124,650,000	122,345,000
					<u>\$ 697,525,227</u>	<u>\$ 625,430,000</u>

In the previous fiscal years, the District defeased certain outstanding general obligation bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts assets and the defeased bonds are not included in the District's financial statements. At June 30, 2025, no outstanding bonds are considered defeased.

Note 8 - Defined Benefit Pension Plan

Plan Description

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

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

Pension Plan Fiduciary Net Position

Detail information about the Teacher Retirement System's fiduciary net position is available in a separately issued Annual Comprehensive Financial Report 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 under a previous rule. There are no automatic post-employment benefit changes, including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs, can be granted by the Texas Legislature as noted in the Plan description above. 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 8 - 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 TRS actuary.

Contributions

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

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

	Contribution Rates		Contribution Amounts
	September 1, 2024 to June 30, 2025	July 1, 2024 to August 31, 2024	
Active Employee	8.25%	8.25%	\$ 5,868,171
Non-Employer Contributing Entity (State)	8.25%	8.25%	4,223,025
District	8.25%	8.25%	2,838,359

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:

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

In addition to the employer contributions listed above, there is a surcharge an employer is subject to:

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

Note 8 - Defined Benefit Pension Plan (continued)

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.

Discount Rate

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

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

The long-term 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.

Note 8 - Defined Benefit Pension Plan (continued)

Discount Rate (continued)

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

Asset Class	Target Allocation²	Long-Term Expected Geometric Real Rate of Return³	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 8 - 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	\$ 44,921,222	\$ 28,124,042	\$ 14,206,385

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

On June 30, 2025, the District reported a liability of \$28,124,042 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	\$ 28,124,042
State's proportionate share that is associated with the District	<u>41,032,482</u>
Total	<u><u>\$ 69,156,524</u></u>

The net pension liability was measured as of August 31, 2023 and rolled forward to August 31, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the 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.

On August 31, 2024, the District's proportion of the collective Net Pension Liability was 0.0460%, which was an increase of 0.0007% 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.

Note 8 - Defined Benefit Pension Plan (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

The amount of pension expense recognized by the District in the reporting period was \$4,170,263.

For the year ended June 30, 2025, the District recognized pension expense of \$4,904,067 and revenue of \$4,904,067 for support provided by the State.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 1,550,159	\$ (219,579)
Changes of assumption	1,452,105	(194,678)
Net difference between projected and actual earnings on pension plan investments	170,957	-
Changes in proportion and differences between District contributions and proportionate share of contributions	1,660,386	(643,155)
District contributions subsequent to the measurement date of the net pension liability	2,400,844	-
Total	<u>\$ 7,234,451</u>	<u>\$ (1,057,412)</u>

The District recognized \$2,400,844 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:

<u>Fiscal Year</u>	<u>Pension Expense</u>	<u>Balance of Deferred Outflows (Inflows)</u>
2026	\$ 238,543	\$ 3,537,652
2027	3,267,196	270,456
2028	671,571	(401,115)
2029	(535,525)	134,410
2030	134,410	-
	<u>\$ 3,776,195</u>	

Note 9 - Defined Other Postemployment 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 Teacher Retirement System’s fiduciary net position is available in a separately issued Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the internet at <https://www.trs.texas.gov/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-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 postemployment 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

Note 9 - Defined Other Postemployment Benefit Plan (continued)

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% of the employee’s salary. Section 1575.203 establishes the active employee’s rate which is 0.65% of salary. Section 1575.204 establishes a public school contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the employer. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act, which is 0.75% of each active employee’s pay for fiscal year 2025. The following table shows contributions to the TRS-Care plan by type of contributor.

	Contribution Rates		Contribution Amounts
	September 1, 2024 to June 30, 2025	July 1, 2024 to August 31, 2024	
Active Employee	0.65%	0.65%	\$ 462,340
Non-Employer Contributing Entity (State)	1.25%	1.25%	1,369,947
District:			
District, Excluding Federal/Private Fundin	0.75%	0.75%	563,180
Federal/Private Funding	1.25%	1.25%	32,370
Total District			<u>595,550</u>
Total			<u><u>\$ 2,427,837</u></u>

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 hiring a TRS retiree, employers are required to pay TRS Care, a monthly surcharge of \$535 per retiree.

Note 9 - Defined Other Postemployment Benefit Plan (continued)

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 rate was 6.75 percent for non-Medicare retirees. For Medicare retirees, trend rates are higher in the first two years due to anticipated growth but thereafter match those of non-Medicare retirees. The initial prescription drug trend rate was 7.25 percent for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25 percent over a period of 11 years.
Election Rates	Normal Retirement: 62% participation 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.

Discount Rate

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

Note 9 - Defined Other Postemployment Benefit Plan (continued)

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1 percentage point lower than and 1 percentage point higher than the discount rate that was used (3.87%) in measuring the net OPEB Liability.

	Discount Rate		
	1% Decrease 2.87%	Current Rate 3.87%	1% Increase 4.87%
District's proportional share of the net OPEB liability	\$ 22,094,141	\$ 18,597,031	\$ 15,771,312

Healthcare Trend Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if a healthcare trend rate that is 1% less than and 1% greater than the assumed healthcare cost trend rate:

	Healthcare Cost Trend Rate		
	1% Decrease	Current Rate	1% Increase
District's proportional share of the net OPEB liability	\$ 15,144,520	\$ 18,597,031	\$ 23,095,995

OPEB Liabilities, OPEB Expense, And Deferred Outflows Of Resources And Deferred Inflows Of Resources Related To OPEBs

On June 30, 2025, the District reported a liability of \$18,597,031 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	\$ 18,597,031
State's proportionate share that is associated with the District	<u>23,301,827</u>
Total	<u><u>\$ 41,898,858</u></u>

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

On August 31, 2024, the District's proportion of the collective Net OPEB Liability was 0.0613%, which was a decrease of 0.0005% from its proportion measured as of August 31, 2023.

Changes Since the Prior Actuarial Valuation

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

- The single discount rate changed from 4.13% 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.

Note 9 - Defined Other Postemployment Benefit Plan (continued)

OPEB Liabilities, OPEB Expense, And Deferred Outflows Of Resources And Deferred Inflows Of Resources Related To OPEBs

Changes of Benefit Terms Since the Prior Measurement Date

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

The amount of negative OPEB expense recognized by the District in the reporting period was \$1,842,668.

For the year ended June 30, 2025, the District recognized negative OPEB expense of \$3,028,807 and negative revenue of \$3,028,807 for support provided by the State.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 3,564,426	\$ (9,280,926)
Changes of assumption	2,380,200	(6,067,996)
Net difference between projected and actual earnings on OPEB plan investments	-	(52,078)
Changes in proportion and differences between District contributions and proportionate share of contributions	2,601,426	(1,216,921)
District contributions subsequent to the measurement date of the net OPEB liability	500,291	-
Total	<u>\$ 9,046,343</u>	<u>\$ (16,617,921)</u>

The District recognized \$2,400,844 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:

<u>Fiscal Year</u>	<u>OPEB Expense Amount</u>	<u>Balance of Deferred Outflows (Inflows)</u>
2026	\$ (2,326,729)	\$ (5,745,140)
2027	(1,484,450)	(4,260,690)
2028	(1,970,481)	(2,290,209)
2029	(1,666,502)	(623,707)
2030	(856,276)	232,569
2031	232,569	-
	<u>\$ (8,071,869)</u>	

Note 9 - Defined Other Postemployment Benefit Plan (continued)

OPEB Liabilities, OPEB Expense, And Deferred Outflows Of Resources And Deferred Inflows Of Resources Related To OPEBs

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 June 30, 2025, 2024, and 2023, the subsidy payments received by TRS-Care on-behalf of the District were \$513,200, \$352,941, and \$335,493, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds' financial statements of the District.

Note 10 - Risk Management

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

Health Care Coverage

During the year, employees of the District were covered by a health insurance plan (the "Plan"). The District paid premiums of \$332 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement. The contract between the District and the insurer is renewable September 1, 2024 and terms of coverage and premiums costs are included in the contractual provisions.

Workers' Compensation Plan

During the year ended June 30, 2024, the District met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's workers' compensation program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members' injured employees.

The Fund and its members are protected against higher-than-expected claims costs through the purchase of stop-loss coverage for any claim in excess of the Fund's self-insured retention of \$2 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2023, the Fund carries a discounted reserve for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2024, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions. The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2023, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

Note 10 - Risk Management (continued)

Unemployment Compensation

During the year ended June 30, 2024, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's unemployment compensation program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop-loss coverage for the unemployment compensation pool. For the year ended August 31, 2024, the Fund anticipates that the District has no additional liability beyond the contractual obligation for payment of contribution.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2023 are available on the TASB Risk Management Fund's website and have been filed with the Texas Department of Insurance in Austin.

Note 11 - Commitments and Contingencies

State and Federal Grants

Minimum foundation funding received from TEA is based primarily upon information concerning average daily attendance at the District's schools which is compiled by the District and supplied to TEA. Federal funding for the child nutrition programs is based primarily upon the number and type of meals served and on user charges as reported TEA. Federal and state funding received under various grant programs are based upon reimbursable expenditures made under program guidelines.

These programs are governed by various statutory rules and regulations of the grantors. Amounts received and receivable under these various funding programs are subject to periodic audit and adjustment by the funding agencies. To the extent, if any, that the District has not complied with all the rules and regulations with respect to performance, financial or otherwise, adjustment to or return of funding monies may be required.

Note 12 – Shared Services Arrangements

The District participates in an SSA for hearing impaired children. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Education Service Center – Region XIII, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent is responsible for part of the financial activities of the SSA.

The District participates in an SSA for visually handicapped children. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Education Service Center – Region XIII, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for part of the financial activities of the SSA.

Note 13 - Restatement of Beginning Balances

The District had three (3) restatements to beginning balances due to corrections of errors. In addition, the District implemented GASB Statement No. 101, *Compensated Absences*, in the current fiscal year. In addition to the value of unused vacation time owed to employees upon separation of employment, GASB 101 required the District to report a liability for compensated absences that includes recognition of an estimated amount of sick leave earned as of year-end that will be used by employees as time off in future years. The effects of the restatements due to corrections of errors and the change in accounting principle are summarized below:

	Fund Balance		Net Position
	General Fund	Capital Projects Fund	Governmental Activities
Beginning Balance - As Originally Reported	\$ 64,172,373	\$ 229,951,841	\$ 294,124,214
Correction of error - Record retainage payable in fund statements	-	(7,040,384)	(7,040,384)
Correction of error - bonds payable balance	-	-	-
Correction of error - Reclassify prepaid items to PPP asset in accordance with GASB 94	(750,000)	-	(750,000)
Total Restatements	(750,000)	(7,040,384)	(7,790,384)
Beginning Fund Balance - As Restated	<u>\$ 63,422,373</u>	<u>\$ 222,911,457</u>	<u>\$ 286,333,830</u>

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APPENDIX D

Form of Opinion of Bond Counsel

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March 3, 2026

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FINAL

IN REGARD to the authorization and issuance of the “New Braunfels Independent School District Unlimited Tax School Building Bonds, Series 2026” (the *Bonds*), dated February 15, 2026, in the aggregate principal amount of \$71,850,000 we have reviewed the legality and validity of the issuance thereof by the New Braunfels Independent School District (the *Issuer*). The Bonds are issuable in fully registered form only, in denominations of \$5,000 or any integral multiple thereof. The Bonds have Stated Maturities of February 1 in each of the years 2028 through 2032, February 1 in each of the years 2035 through 2051, and February 1, 2053, unless optionally or mandatorily redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Bonds. Interest on the Bonds accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the order (the *Order*) authorizing the issuance of the Bonds. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Order.

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

WE HAVE EXAMINED the applicable and pertinent laws of the State of Texas and the United States of America. In rendering the opinions herein we rely upon (1) original or certified copies of the proceedings of the Board of Trustees of the Issuer in connection with the issuance of the Bonds, including the Order; (2) certificates executed by officers of the Issuer relating to the expected use and investment of proceeds of the Bonds and certain other funds of the Issuer, and to certain other facts solely within the knowledge and control of the Issuer; and (3) such other documentation, including an examination of the Bond executed and delivered initially by the Issuer, and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements and information contained in such certificates. We express no opinion concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

BASED ON OUR EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Bonds are valid and legally binding obligations of the Issuer enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors’ rights or the exercise of judicial

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Legal Opinion of Norton Rose Fulbright US LLP, Austin, Texas, in connection with the authorization and issuance of NEW BRAUNFELS INDEPENDENT SCHOOL DISTRICT UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2026

discretion in accordance with general principles of equity. The Bonds are payable from the proceeds of an ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property within the Issuer.

BASED ON OUR EXAMINATION IT IS FURTHER OUR OPINION THAT, assuming continuing compliance after the date hereof by the Issuer with the provisions of the Order and upon the representations and certifications of the Issuer made in a certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Bonds, under existing statutes, regulations, published rulings, and court decisions (1) interest on the Bonds will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the *Code*), of the owners thereof for federal income tax purposes, pursuant to section 103 of the Code, and (2) interest on the Bonds will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals.

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 an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement Benefits, individuals otherwise qualifying for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax exempt obligations.

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

Norton Rose Fulbright US LLP

APPENDIX E

The 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 is scheduled to conclude on June 2, 2025. As of the date of this disclosure, the regular session is underway. The Texas Governor may call one or more special sessions at the conclusion of the regular session. During this time, the Legislature may enact laws that materially change current law as it relates to the Guarantee Program, the TEA, the State Board of Education (the “SBOE”), the Permanent School Fund Corporation (the “PSF Corporation”), the Act, and Texas school finance generally. No representation is made regarding any actions the Legislature has taken or may take, but the TEA, SBOE, and PSF Corporation monitor and analyze legislation for any developments applicable thereto.

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, 2024, 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, 2024, 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, 2024, and for a description of the financial results of the PSF for the year ended August 31, 2024, the most recent year for which audited financial information regarding the Fund is available. The 2024 Annual Report speaks only as of its date and the PSF Corporation has not obligated itself to update the 2024 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 specified in Section 13(f), including exchange-traded (e.g., NYSE) or NASDAQ-quoted stocks, equity options and warrants, shares of closed-end investment companies and certain convertible debt securities, 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 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 also engaged outside 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 requested funding, budget structure, and riders are sufficient to fully support all operations of the PSF Corporation in state fiscal years 2026 and 2027. As described therein, the LAR is designed to provide the PSF Corporation with the ability to operate as a stand-alone state entity in the State budget while retaining the flexibility to fulfill its fiduciary duty and provide oversight and transparency to the Legislature and Governor.

The Total Return Constitutional Amendment

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

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

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

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

Annual Distributions to the Available School Fund¹

<u>Fiscal Year Ending</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023²</u>	<u>2024</u>
PSF(CORP) Distribution	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$2,076	\$2,156
PSF(SBOE) Distribution	839	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	173	215	212	247	306	347	341	432	440	430

¹ In millions of dollars. Source: Annual Report for year ended August 31, 2024.

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

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

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

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

<u>State Fiscal Biennium</u>	<u>2010-11</u>	<u>2012-13</u>	<u>2014-15</u>	<u>2016-17</u>	<u>2018-19</u>	<u>2020-21</u>	<u>2022-23</u>	<u>2024-25</u>	<u>2026-27</u>
<u>SBOE Distribution Rate¹</u>	2.5%	4.2%	3.3%	3.5%	3.7%	2.974%	4.18%	3.32%	3.45%

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

PSF Corporation Strategic Asset Allocation

The PSFC Board sets the asset allocation policy for the Fund, including determining the available asset classes for investment and approving target percentages and ranges for allocation to each asset class, with the goal of delivering a long-term risk adjusted return through all economic and market environments. The IPS includes a combined asset allocation for all Fund assets (consisting of assets transferred for management to the PSF Corporation from the SBOE and the SLB). The IPS provides that the Fund’s investment objectives are as follows:

- Generate distributions for the benefit of public schools in Texas;
- Maintain the purchasing power of the Fund, after spending and inflation, in order to maintain intergenerational equity with respect to distributions from the Fund;
- Provide a maximum level of return consistent with prudent risk levels, while maintaining sufficient liquidity needed to support Fund obligations; and
- 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 September 2024 (which is subject to change from time to time):

Asset Class	Strategic Asset Allocation	Range	
		Min	Max
Cash	2.0%	0.0%	n/a
Core Bonds	10.0%	5.0%	15.0%
High Yield	2.0%	0.0%	7.0%
Bank Loans	4.0%	0.0%	9.0%
Treasury Inflation Protected Securities	2.0%	0.0%	7.0%
Large Cap Equity	14.0%	9.0%	19.0%
Small/Mid-Cap Equity	6.0%	1.0%	11.0%
Non-US Developed Equity	7.0%	2.0%	12.0%
Absolute Return	3.0%	0.0%	8.0%
Real Estate	12.0%	7.0%	17.0%
Private Equity	20.0%	10.0%	30.0%
Private Credit	8.0%	3.0%	13.0%
Natural Resources	5.0%	0.0%	10.0%
Infrastructure	5.0%	0.0%	10.0%

The table below sets forth the comparative investments of the PSF for the fiscal years ending August 31, 2023 and 2024, as set forth in the Annual Report for the 2024 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)

ASSET CLASS	August 31, 2024	August 31, 2023	Amount of Increase (Decrease)	Percent Change
EQUITY				
Domestic Small Cap	\$3,651.3	\$ 2,975.1	\$ 676.2	22.7%
Domestic Large Cap	<u>8,084.6</u>	<u>7,896.5</u>	<u>188.1</u>	<u>2.4%</u>
Total Domestic Equity	11,735.9	10,871.6	864.3	8.0%
International Equity	<u>4,131.1</u>	<u>7,945.5</u>	<u>(3,814.4)</u>	<u>-48.0%</u>
TOTAL EQUITY	15,867.0	18,817.1	(2,950.1)	-15.7%
FIXED INCOME				
Domestic Fixed Income	-	5,563.7	-	-
US Treasuries	-	937.5	-	-
Core Bonds	8,151.6	-	-	-
Bank Loans	2,564.1	-	-	-
High Yield Bonds	2,699.5	1,231.6	1,467.9	119.2%
Emerging Market Debt	-	869.7	-	-
TOTAL FIXED INCOME	13,415.2	8,602.5	4,812.7	55.9%
ALTERNATIVE INVESTMENTS				
Absolute Return	3,106.0	3,175.8	(69.8)	-2.2%
Real Estate	6,101.0	6,525.2	(424.2)	-6.5%
Private Equity	8,958.8	8,400.7	558.1	6.6%
Emerging Manager Program	-	134.5	-	-
Real Return	-	1,663.7	-	-
Private Credit	2,257.9	-	-	-
Real Assets	<u>4,648.1</u>	<u>4,712.1</u>	<u>(64.0)</u>	<u>-1.4%</u>
TOT ALT INVESTMENTS	25,071.8	24,612.0	459.8	1.9%
UNALLOCATED CASH	<u>2,583.2</u>	<u>348.2</u>	<u>2,235</u>	<u>641.9%</u>
TOTAL PSF(CORP) INVESTMENTS	\$56,937.2	\$ 52,379.8	\$ 4,557.4	8.7%

Source: Annual Report for year ended August 31, 2024.

The table below sets forth the investments of the PSF(SLB) for the year ended August 31, 2024.

Investment Schedule - PSF(SLB)¹

Fair Value (in millions) August 31, 2024	
Investment Type	As of <u>8-31-24</u>
Investments in Real Assets	
Sovereign Lands	\$ 277.47
Discretionary Internal Investments	457.01
Other Lands	153.15
Minerals ^{(2), (3)}	<u>4,540.61</u> ⁽⁶⁾
Total Investments ⁽⁴⁾	5,428.23
Cash in State Treasury ⁽⁵⁾	<u>0</u>
Total Investments & Cash in State Treasury	\$5,428.23

¹ Unaudited figures from Table 5 in the FY 2024 Unaudited Annual Financial Report of the Texas General Land Office and Veterans Land Board.

² Historical Cost of investments at August 31, 2024 was: Sovereign Lands \$838,730.24; Discretionary Internal Investments \$318,902,420.97; Other Lands \$37,290,818.76; and Minerals \$13,437,063.73.

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 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 2025 fiscal year, the ratio is 7.86%. At February 27, 2025, there were 188 active open-enrollment charter schools in the State and there were 1,222 charter school campuses authorized under such charters, though as of such date, 264 of such campuses are not currently serving students for various reasons; therefore, there are 958 charter school campuses actively serving students in Texas. Section 12.101, Texas Education Code, limits the number of charters that the Education Commissioner may grant to a total number of 305 charters. While legislation limits the number of charters that may be granted, it does not limit the number of campuses that may operate under a particular charter. For information regarding the capacity of the Guarantee Program, see "Capacity Limits for the Guarantee Program." The Act provides that the Education Commissioner may not approve the guarantee of refunding or refinanced bonds under the Charter District Bond Guarantee Program in a total amount that exceeds one-half of the total amount available for the guarantee of charter district bonds under the Charter District Bond Guarantee Program.

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

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

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

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

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

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

Capacity Limits for the Guarantee Program

The capacity of the Fund to guarantee bonds under the Guarantee Program is limited to the lesser of that imposed by State law (the "State Capacity Limit") and that imposed by regulations and a notice issued by the IRS (the "IRS Limit", with the limit in effect at any given time being the "Capacity Limit"). From 2005 through 2009, the Guarantee Program

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

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

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

<u>Changes in SBOE-determined multiplier for State Capacity Limit</u>	
<u>Date</u>	<u>Multiplier</u>
Prior to May 2010	2.50
May 2010	3.00
September 2015	3.25
February 2017	3.50
September 2017	3.75
February 2018 (current)	3.50

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

The IRS Notice changed the IRS Limit from a static limit to a dynamic limit for the Guarantee Program based upon the cost value of Fund assets, multiplied by five. As of January 31, 2025 the cost value of the Guarantee Program was \$48,560,433,760 (unaudited), thereby producing an IRS Limit of \$242,802,168,800 in principal amount of guaranteed bonds outstanding.

As of January 31, 2025, the estimated State Capacity Limit is \$169,961,518,160, 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 February 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 January 31, 2025, the Charter District Reserve Fund contained \$120,355,020, which represented approximately 2.44% of the guaranteed charter district bonds. The Reserve Fund is held and invested as a non-commingled fund under the administration of the PSF Corporation staff.

Charter District Risk Factors

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

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

to be secured by a deed of trust covering all or part of the charter district's facilities. In March 2017, the TEA began requiring charter districts to provide the TEA with a lien against charter district property as a condition to receiving a guarantee under the Charter District Bond Guarantee Program. However, charter district bonds issued and guaranteed under the Charter District Bond Guarantee Program prior to the implementation of the new requirement did not have the benefit of a security interest in real property, although other existing debts of such charter districts that are not guaranteed under the Charter District Bond Guarantee Program may be secured by real property that could be foreclosed on in the event of a bond default.

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

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

Ratings of Bonds Guaranteed Under the Guarantee Program

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

Valuation of the PSF and Guaranteed Bonds

Permanent School Fund Valuations		
Fiscal Year Ended 8/31	Book Value ⁽¹⁾	Market Value ⁽¹⁾
2020	\$36,642,000,738	\$46,764,059,745
2021	38,699,895,545	55,582,252,097
2022	42,511,350,050	56,754,515,757
2023	43,915,792,841	59,020,536,667
2024 ⁽²⁾	46,276,260,013	56,937,188,265

⁽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, 2024, mineral assets, sovereign lands, other lands, and discretionary internal investments, had book values of approximately \$13.4 million, \$0.8 million, \$37.2 million, and \$318.9 million, respectively, and market values of approximately \$4,540.6 million, \$277.4 million, \$153.1 million, and \$457.0 million, respectively.

Permanent School Fund Guaranteed Bonds

At 8/31	Principal Amount ⁽¹⁾
2020	\$90,336,680,245
2021	95,259,161,922
2022	103,239,495,929
2023	115,730,826,682
2024	125,815,981,603 ⁽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, 2024 (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 \$196,294,405,488, of which \$70,478,423,885 represents interest to be paid. As shown in the table above, at August 31, 2024, there were \$125,815,981,603 in principal amount of bonds guaranteed under the Guarantee Program. Using the State Capacity Limit of \$169,961,518,160 (the State Capacity Limit is currently the Capacity Limit), net of the Capacity Reserve, as of January 31, 2025, 7.69% of the Guarantee Program's capacity was available to the Charter District Bond Guarantee Program. As of January 31, 2025, the amount of outstanding bond guarantees represented 76.33% of the Capacity Limit (which is currently the State Capacity Limit). January 31, 2025 values are based on unaudited data, which is subject to adjustment.

Permanent School Fund Guaranteed Bonds by Category⁽¹⁾

Fiscal Year Ended	School District Bonds		Charter School Bonds		Totals	
	No. of <u>Issues</u>	Principal <u>Amount (\$)</u>	No. of <u>Issues</u>	Principal <u>Amount (\$)</u>	No. of <u>Issues</u>	Principal <u>Amount (\$)</u>
<u>8/31</u>						
2020	3,296	87,800,478,245	64	2,536,202,000	3,360	90,336,680,245
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 ⁽²⁾	3,330	121,046,871,603	103	4,769,110,000	3,433	125,815,981,603

⁽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 January 31, 2025 (based on unaudited data, which is subject to adjustment), there were \$129,723,799,121 in principal amount of bonds guaranteed under the Guarantee Program, representing 3,437 school district issues, aggregating \$124,794,149,121 in principal amount and 109 charter district issues, aggregating \$4,929,650,000 in principal amount. At January 31, 2025 the projected guarantee capacity available was \$39,780,221,830 (based on unaudited data, which is subject to adjustment).

Discussion and Analysis Pertaining to Fiscal Year Ended August 31, 2024

The following discussion is derived from the Annual Report for the year ended August 31, 2024, 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 2024, the PSF(CORP) net position was \$57.3 billion. During the year, the PSF(CORP) continued implementing the long-term strategic asset allocation, diversifying the investment mix to strengthen the Fund. The asset allocation is projected to increase returns over the long run while reducing risk and portfolio return volatility. 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, 2024, net of fees, were 10.12%, 7.31%, and 6.32%, 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, 2024.

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 2024 Annual Report which is included by reference herein.

PSF Returns Fiscal Year Ended 8-31-2024¹

<u>Portfolio</u>	<u>Return</u>	<u>Benchmark Return²</u>
Total PSF(CORP) Portfolio	10.12	9.28
Domestic Large Cap Equities	27.30	27.14
Domestic Small/Mid Cap Equities	18.35	18.37
International Equities	18.82	18.08
Private Credit	1.41	0.93
Core Bonds	7.08	7.30
Absolute Return	11.50	8.87
Real Estate	(6.42)	(7.22)
Private Equity	4.62	4.23
High Yield	12.03	12.53
Natural Resources	12.36	6.42
Infrastructure	4.41	3.63
Bank Loans	3.02	3.23
Short Term Investment Portfolio	2.42	2.28

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, 2024.

² Benchmarks are as set forth in the Annual Report for year ended August 31, 2024.

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 2024 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 2024, \$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, 2024, certain lawsuits were pending against the State and/or the GLO, which challenge the Fund's title to certain real property and/or past or future mineral income from that property, and other litigation arising in the normal course of the investment activities of the PSF. Reference is made to the Annual Report, when filed, for a description of such lawsuits that are pending, which may represent contingent liabilities of the Fund.

PSF Continuing Disclosure Undertaking

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

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

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

Annual Reports

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

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

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

Financial Advisory Services
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