OFFICIAL STATEMENT DATED JULY 27, 2026

NEW ISSUE – BOOK-ENTRY ONLY

MOODY'S RATING (ENHANCED/UNENHANCED): "Aaa"/"A1"
PSF Guaranteed
(See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "OTHER PERTINENT INFORMATION – Rating" herein)

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

POTEET INDEPENDENT SCHOOL DISTRICT
(Atascosa County, Texas)
$10,000,000
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2026

Dated Date: August 1, 2026 **Due: August 15, as shown on the inside cover page herein**
Interest to Accrue from Date of Delivery (defined below)

The Poteet Independent School District (the "District") is issuing its $10,000,000 Unlimited Tax School Building Bonds, Series 2026 (the "Bonds"), as shown on the inside cover page herein, are direct obligations of the District and are payable from 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, particularly Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended, an election held in the District on May 4, 2024 (the "Election"), and an order (the "Order") adopted by the Board of Trustees of the District (the "Board") on July 27, 2026 (see "THE BONDS – Authority for Issuance").

Interest on the Bonds will accrue from their Date of Delivery identified below and will be payable until stated maturity or prior redemption on February 15 and August 15 of each year, commencing February 15, 2027, and will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds will be issued as fully registered obligations in denominations of $5,000 in principal amount, 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 and interest on the Bonds will be payable by the Paying Agent/Registrar, initially Zions Bancorporation, National Association dba Amegy Bank, Houston, 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) designing, constructing, renovating, improving, upgrading, updating, modernizing, acquiring, and equipping school facilities (and any necessary or related removal of existing facilities), (ii) funding capitalized interest and (iii) paying the costs of issuance of the Bonds (see "THE BONDS – Purpose" and "– Sources and Uses of Funds" 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 "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein.

For Stated Maturities, Principal Amounts, Interest Rates, Initial Yields, CUSIP Numbers, and Redemption Provisions for the Bonds, see the inside cover page herein.

The Bonds are offered for delivery when, as and if issued and received by the initial purchasers named below (collectively, the "Underwriters") and are subject to the approving opinions of the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel (see "LEGAL MATTERS" and "APPENDIX C – Form of Bond Counsel's Opinion" hereto). Certain matters will be passed upon for the Underwriters by their counsel, Norton Rose Fulbright US LLP, Austin, Texas. It is expected that the Bonds' date of delivery through the services of DTC will be on or about August 19, 2026 (the "Date of Delivery").

SAMCO CAPITAL **FROST BANK**

MATURITY SCHEDULE

POTEET INDEPENDENT SCHOOL DISTRICT
(Atascosa County, Texas)

$10,000,000
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2026

CUSIP Prefix[(1)]: 737577

Maturity (Aug. 15)	Principal Amount	Interest Rate	Initial Yield[(2)]	CUSIP Suffix[(1)]
2039	$50,000	5.000%	3.960[(2)]	NC6
2040	50,000	5.000%	4.010[(2)]	ND4
2041	50,000	5.000%	4.080[(2)]	NE2
2042	50,000	5.000%	4.150[(2)]	NF9
2043	500,000	5.000%	4.170[(2)]	NG7
2044	525,000	5.000%	4.240[(2)]	NH5
2045	550,000	5.000%	4.300[(2)]	NJ1
2046	580,000	5.000%	4.430[(2)]	NK8
2047	605,000	5.000%	4.530[(2)]	NL6
2048	635,000	5.000%	4.610[(2)]	NM4

$2,105,000 5.000% Term Bond due August 15, 2051 Priced to Yield[(2)] 4.630% – 737577 NQ5[(1)]

$4,300,000 5.250% Term Bond due August 15, 2056 Priced to Yield[(2)] 4.710% – 737577 NV4[(1)]

(Interest accrues from Date of Delivery)

Redemption Provisions

*Optional Redemption…*The Bonds maturing on and after August 15, 2039 are subject to redemption prior to their scheduled maturities at the option of the District, in whole or from time to time in part, on August 15, 2036, or any date thereafter, at a redemption price equal to par plus accrued interest from the most recent interest payment date to the redemption date, as further described herein. See "THE BONDS – Redemption Provisions of the Bonds."

*Mandatory Sinking Fund Redemption…*The Bonds maturing on August 15 in each of the years in 2051 and 2056 are subject to mandatory sinking fund redemption as described herein. (See "THE OBLIGATIONS – Mandatory Sinking Fund Redemption").

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(2) Yield calculated based on the assumption that the Bonds denoted and sold at a premium will be redeemed on August 15, 2036, the first optional call date for the Bonds, at a redemption price of par plus accrued interest to the date of redemption.

POTEET INDEPENDENT SCHOOL DISTRICT

BOARD OF TRUSTEES

ADMINISTRATION

Name	Position	Years with District	Years served in Current Position
Mr. Charles Camarillo	Superintendent of Schools	8	8
Ms. Amanda Gonzales	Executive Director of Business Operations	10	10

CONSULTANTS AND ADVISORS

McCall, Parkhurst & Horton L.L.P., Austin, Texas	Bond Counsel
PFM Financial Advisors LLC, Austin, Texas	Municipal Advisor
Armstrong, Vaughan & Associates, P.C., Universal City, Texas	Certified Public Accountants

For Additional Information Please Contact:

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USE OF INFORMATION IN THE 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 representation must not be relied upon.

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 that 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 shall 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 "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM – PSF Continuing Disclosure Undertaking" and "CONTINUING DISCLOSURE" for a description of the undertakings of the Texas Education Agency (the "TEA") and of the District, respectively.

The Underwriters have approved the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement pursuant to their responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information and such information is not to be construed as a representation by the Underwriters.

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, and as part of, its responsibilities to the District and 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.

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 THAT 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 supplied by The Depository Trust Company ("DTC"), New York, New York, regarding its book-entry-only system described under the caption "BOOK-ENTRY-ONLY SYSTEM" or by the TEA regarding the Permanent School Fund described under the caption "PERMANENT SCHOOL FUND GUARANTEE PROGRAM."

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.

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

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.

TABLE OF CONTENTS

The cover page hereof, this table of contents, the appendices included herein and any addenda, supplement or amendment hereto, are part of the 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 offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this Summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE DISTRICT .... Poteet Independent School District (the "District") is a political subdivision of the State of Texas located in Atascosa County, Texas. 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 District is issuing its $10,000,000 Poteet Independent School District Unlimited Tax School Building Bonds, Series 2026 (the "Bonds"). The Bonds will mature on August 15 in each of the years 2039 through 2048, inclusive, and terms bonds in the years 2051 and 2056. See "THE BONDS – General Description."

PAYMENT OF INTEREST ON THE BONDS .... Interest on the Bonds shall accrue from the Date of Delivery of the Bonds and is payable semiannually on February 15 and August 15, commencing February 15, 2027, until stated maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. See "THE BONDS – General Description."

DATED DATE .... August 1, 2026.

AUTHORITY FOR ISSUANCE .... The Bonds are being issued pursuant to the Constitution and general laws of the State, including, particularly, Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended, 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 on July 27, 2026. See "THE BONDS – Authority for Issuance".

SECURITY FOR THE BONDS .... The Bonds constitute direct obligations of the District payable from an annual ad valorem tax levied against all taxable property located therein, without legal limitation as to rate or amount.

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. See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein.

REDEMPTION PROVISIONS	*Optional Redemption.* The Bonds maturing on and after August 15, 2039 are subject to redemption prior to scheduled maturity at the option of the District, in whole or from time to time in part, on August 15, 2036, or any date thereafter, at a redemption price equal to par plus accrued interest from the most recent interest payment date to the redemption date, as further described herein. Additionally, the Bonds may be subject to mandatory sinking fund redemption in the event two or more consecutive maturities of the Bonds are structured as "Term Bonds" at the election of the Underwriters. See "THE BONDS – Redemption Provisions of the Bonds." The Bonds maturing on August 15 in each of the years in 2051 and 2056 will be subject to mandatory sinking fund redemption as described herein. (See "THE OBLIGATIONS – Mandatory Sinking Fund Redemption").
TAX STATUS	In the opinion of McCall, Parkhurst & Horton L.L.P., 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, including the alternative minimum tax on certain corporations. See "TAX MATTERS" and "APPENDIX C – Form of Bond Counsel's Opinion."
USE OF PROCEEDS	Proceeds from the sale of the Bonds will be used for (i) designing, constructing, renovating, improving, upgrading, updating, modernizing, acquiring, and equipping school facilities (and any necessary or related removal of existing facilities), (ii) funding capitalized interest, and (iii) paying the costs of issuance of the Bonds. See "THE BONDS – Purpose" and "– Sources and Uses of Funds" herein.
PAYING AGENT/REGISTRAR..........	The initial Paying Agent/Registrar is Zions Bancorporation, National Association dba Amegy Bank, Houston, Texas.
MUNICIPAL BOND RATING............	Moody's Investors Service, Inc. ("Moody's") has assigned its enhanced municipal bond rating of "Aaa" to the Bonds based on the guarantee thereof by the Texas Permanent School Fund. In addition, Moody's has assigned its underlying unenhanced rating of "A1" 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 Rating" herein.
PAYMENT RECORD	The District has never defaulted in the payment of its tax-supported debt.
DATE OF DELIVERY	When issued, anticipated to occur on or about August 19, 2026.
FUTURE DEBT ISSUES	The District's ability to issue its remaining authorized but unissued bond authority will depend on future taxable value growth in the District. After this issuance, the District will have $20 million of authorized but unissued bonding authority.
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 Bond Counsel. See "APPENDIX C – Form of Bond Counsel's Opinion" herein.

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OFFICIAL STATEMENT

relating to

POTEET INDEPENDENT SCHOOL DISTRICT
(Atascosa County, Texas)

$10,000,000
UNLIMITED TAX SCHOOL BUILDING BONDS,
SERIES 2026

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by the Poteet Independent School District (the "District") of its $10,000,000 Unlimited Tax School Building Bonds, Series 2026 (the "Bonds") described on the inside cover page hereof.

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, PFM Financial Advisors LLC, 111 Congress Avenue, Suite 2150, Austin, Texas 78701, 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 (the "MSRB") 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 herein).

The District is a political subdivision of the State of Texas located in Atascosa County, Texas. The District was created under State statute and is governed by a seven-member Board of Trustees of the District (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

General Description

The Bonds will be dated August 1, 2026 (the "Dated Date") and will mature on the dates and in the amounts shown on the inside cover page to this Official Statement.

The Bonds are issued as bonds on which interest is paid on a current basis and will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Interest on the Bonds will accrue from the Date of Delivery (anticipated to occur on or about August 19, 2026), will be payable February 15 and August 15 of each year commencing on February 15, 2027, until stated maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

The Bonds will be issued in denominations of $5,000 of principal amount, or any integral multiple thereof within a maturity. No physical delivery of the Bonds will be made to the beneficial owners thereof. The principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “BOOK-ENTRY-ONLY SYSTEM” herein.

Interest on the Bonds is payable to the registered owner appearing on the bond registration books of the Paying Agent/Registrar on the last business day of the month preceding each such payment (the “Record Date”) and such interest shall be paid by the Paying Agent/Registrar (i) by check sent by United States Mail, first class postage prepaid, to the address of the registered owner recorded in the bond register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. The principal of the Bonds is payable at maturity or upon prior redemption, upon their presentation and surrender to the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments will be made as described under “BOOK-ENTRY-ONLY SYSTEM” herein.

If the date for any payment on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the designated corporate office of the Paying Agent/Registrar is located is authorized by law or executive order to close, then the date for such payment shall be the next succeeding day that is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

Purpose

Proceeds from the sale of the Bonds will be used for (i) designing, constructing, renovating, improving, upgrading, updating, modernizing, acquiring, and equipping school facilities (and any necessary or related removal of existing facilities), (ii) funding capitalized interest, and (iii) paying the costs of issuance of the Bonds.

Authority for Issuance

The Bonds are being issued pursuant to the Constitution and general laws of the State, including, particularly, Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended, 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 on July 27, 2026.

Security for Payment

The Bonds constitute direct obligations of the District payable from an annual ad valorem tax levied against all taxable property located therein, without legal limit as to rate or amount.

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 “THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” herein.

Redemption Provisions of the Bonds

Optional Redemption

The Bonds maturing on and after August 15, 2039 are subject to redemption prior to scheduled maturity at the option of the District, in whole or from time to time in part, on August 15, 2036, or any date thereafter, at a redemption price equal to par plus accrued interest from the most recent interest payment date to the redemption date, as further described herein.

Mandatory Sinking Fund Redemption

The Bonds maturing on August 15 in each of the years 2051 and 2056 (collectively, the “Term Bonds”), are subject to mandatory redemption in part prior to maturity on August 15, in the years shown below at 100% of the principal amount thereof plus accrued interest to the date of redemption from payments into the Interest and Sinking Fund which are required to be made in amounts sufficient to redeem on August 15 of each year the principal amount of such Term Bonds as follows:

Term Bond
Stated to Mature On August 15, 2051

Year	Principal
8/15/2049	$670,000
8/15/2050	700,000
8/15/2051 (maturity)	735,000

Term Bond
Stated to Mature On August 15, 2056

Year	Principal Amount
8/15/2052	$775,000
8/15/2053	815,000
8/15/2054	860,000
8/15/2055	900,000
8/15/2056 (maturity)	950,000

The principal amount of the Term Bonds required to be redeemed pursuant to the operation of such mandatory redemption requirements may be reduced, at the option of the District, by the principal amount of such Term Bonds which, prior to the date of the mailing of notice of such mandatory redemption, (1) shall have been 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, or (3) shall have been redeemed pursuant to the optional redemption provisions described in the preceding paragraph and not therefore credited against a mandatory 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 Register 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 the 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

The Order provides for the defeasance of the Bonds when the payment of the principal of and premium, if any, on the Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption or otherwise), is provided by irrevocably depositing with the Paying Agent/Registrar or other authorized escrow agent, in trust (1) money sufficient to make such payment, (2) Government Obligations (defined below) that mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds, or (3) a combination of money and Government Obligations sufficient to make such payment. The sufficiency of deposits hereinbefore described shall be certified by an independent certified accountant, the District's Financial Advisor, the Paying Agent/Registrar, or some other qualified financial institution as specified in the Order. The District has additionally reserved the right in the Order, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Obligations for the Government Obligations originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the District money in excess of the amount required for such defeasance. 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, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their acquisition or purchase by the District, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and, on the date of their acquisition or purchase by the District, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, or (d) any additional securities and obligations hereafter authorized by Texas law as eligible for use to accomplish the discharge of obligations such as the Bonds. Authorized District officials may restrict such eligible securities as deemed appropriate. 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. Further, there is no assurance that current Texas law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of those securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Bonds ("Defeasance Proceeds"), though the District has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Order does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the District to use lawfully available Defeasance Proceeds to defease all or any portion of the Bonds, registered owners of Bonds are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, defeasance securities may not be of the same investment quality as those currently identified Texas law as permissible defeasance securities.

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, that 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 that 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.

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Sources and Uses of Funds

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

	The Bonds
Sources of Funds	
Par Amount	$10,000,000.00
Plus Reoffering Premium	425,997.20
Total Sources	**10,425,997.20**
Uses of Funds	
Deposit to Construction Fund	$10,000,000.00
Deposit to Interest and Sinking Fund	240,000.00
Costs of Issuance	110,0000.00
Underwriters' Discount	71,245.54
Additional Proceeds	4,751.66
Total Uses	**10,425,997.20**

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Amendments

The District may, without the consent of or notice to any registered owners, from time to time and at any time, amend the Order in any manner not detrimental to the interests of the registered owners of the Bonds, including the curing of any ambiguity, inconsistency or formal defect or omission therein. In addition, the District may, with the consent of registered owners who own in the aggregate a majority of the principal amount of the Bonds then outstanding, amend, add to or rescind any of the provisions of the Order; provided that, without the consent of all of the registered owners of the Bonds then outstanding, no such amendment, addition or rescission shall (1) extend the time or times of payment of the principal of or interest on the Bonds, reduce the principal amount thereof, the redemption price or the rate of interest thereon or in any other way modify the terms of payment of the principal of, premium, if any, or interest on the Bonds, (2) give any preference to any Bond over any other Bond or (3) reduce the aggregate principal amount of Bonds required to be held by registered owners for consent to any such amendment, addition, or rescission.

Default and Remedies

If the District defaults in the payment of the principal of, redemption price, or interest due on the Bonds, when due, or the State fails to honor the Permanent School Fund Guarantee as hereinafter discussed, or the District defaults in the performance or observance of any other covenant, agreement or obligation of the District, which default materially and adversely affects the rights of the registered owners, including, but not limited to, their prospect or ability to be repaid in accordance with the Order, in such event, any owner may proceed against the District for the purpose of protecting and enforcing the rights of the owners under the Order, by mandamus or other suit, action or special proceeding in equity or at law, in any court of competent jurisdiction. Such right is in addition to any other rights the registered owners of the Bonds may be provided by the laws of the State. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Order does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the District to perform in accordance with the terms of the Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court 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. Because it is unclear whether the Texas legislature has effectively waived the District's sovereign immunity from a suit for money damages, Bondholders may not be able to bring such a suit against the District for breach of the Bonds or Order covenants. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. See "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 Bonds are qualified with respect to the customary rights of debtors relative to their creditors and by general principles of equity which permits the exercise of judicial discretion.

Payment Record

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

Legality

The Bonds are offered when, as, and if issued, and subject to the approval of legality by the Attorney General of the State of Texas and the opinion of the District's Bond Counsel, McCall, Parkhurst & Horton L.L.P., San Antonio, Texas ("Bond Counsel").

Delivery

When issued, anticipated to occur on or about August 19, 2026.

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REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar is Zions Bancorporation, National Association dba Amegy Bank, Houston, Texas. The Bonds will be issued in fully registered form in multiples of $5,000 of principal amount or integral multiples thereof for any one stated maturity, and principal and interest will be paid by the Paying Agent/Registrar. 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 that 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.

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 new Paying Agent/Registrar 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 last business day of the month next preceding each interest payment date.

If interest on any the Bonds is not paid on a scheduled interest payment date and continues unpaid for thirty (30) days thereafter, the Paying Agent/Registrar shall establish a new record date for the payment of such interest, to be known as a Special Record Date. The Registrar shall establish a Special Record Date when funds to make such interest payment are received from or on behalf of the District. Such Special Record Date shall be fifteen (15) days prior to the date fixed for payment of such past due interest, and notice of the date of payment and the Special Record Date shall be sent by United States mail, first-class postage prepaid, not later than five (5) days prior to the Special Record Date, to each registered owner of record of an affected Bond as of the close of business on the business day prior to the mailing of such notice.

Registration, Transfer and Exchange

If 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 72 hours 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, series 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 are required (1) to make any transfer or exchange during a period beginning at the opening of business 45 days before the day of the first mailing of a notice of redemption of Bonds and ending at the close of business on the day of such mailing, or (2) to transfer or exchange any Bonds so selected for redemption when such redemption is scheduled to occur within 45 calendar days; provided however, that such limitation of transfer is not applicable to an exchange by the registered owner of the uncalled balance of a Bond.

Replacement Bonds

If the Book-Entry-Only System has been discontinued, and any Bond is lost, apparently destroyed or wrongfully taken, the District, pursuant to the applicable laws of the State and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, will deliver a replacement Bond of like maturity, series, interest rate and principal amount, bearing a number not contemporaneously outstanding. The District or the Paying Agent/Registrar may require the person requesting delivery of a replacement bond, to: (a) furnish to the District and the Paying Agent/Registrar satisfactory evidence of the ownership of and the circumstances of the loss, destruction or theft of such Bond; (b) furnish such security or indemnity as may be required by the Paying Agent/Registrar and the District to save them harmless; (c) pay all expenses and charges in connection therewith including, but not limited to, printing costs, legal fees, fees of the Registrar and any tax or other governmental charge that may be imposed; and (d) meet any other reasonable requirements of the District and the Paying Agent/Registrar.

BOOK-ENTRY-ONLY SYSTEM

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

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P Global Ratings rating of "AA+." The DTC Rules applicable to its Participants are on file with the 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 the Bonds ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written 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 if 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 (or 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, if a successor depository is not obtained, physical bond certificates are required to be printed and delivered.

Use of Certain Terms in Other Sections of this Official Statement

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

Effect of Termination of Book-Entry-Only System

If 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 TAX PROCEDURES

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

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 each county in which a district is located as of January 1 of each year is the responsibility of the respective Appraisal District for that county (the "Appraisal District"). Except as generally described below, each Appraisal District is required to appraise all property within each 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, each 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 each Appraisal applicable 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 applicable 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.

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

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

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

State Mandated Homestead Exemptions

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

Local Option Homestead Exemptions

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

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, vessel and outboard motor, or heavy equipment inventory.

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

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.

Other Exempt Property

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

Tax Increment Reinvestment Zones

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

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

Tax Limitation Agreements

The Texas Economic Development Act (Chapter 313, Texas Tax Code, as amended), allowed school districts to grant limitations on appraised property values to certain corporations and limited liability companies to encourage economic development within the school district. Generally, during the last eight (8) years of the ten-year term of a tax limitation agreement, a school district could only levy and collect M&O taxes on the agreed-to limited appraised property value. For the purposes of calculating its Tier One and Tier Two entitlements, the portion of a school district's property that is not fully taxable is excluded from the school district's taxable property values. Therefore, a school district 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".)

Tax Abatement Agreements

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

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

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

District and Taxpayer Remedies

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

Owners of certain property (being (i) commercial real and personal property, (ii) real and personal property of utilities, (iii) industrial and manufacturing real and personal property, and (iv) multifamily residential real property) with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of 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.

District Application of Tax Code

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 $60,000.

The District has granted an additional exemption of $25,000 on residence homestead; minimum exemption of $5,000.

See "Table 1 – VALUATION, EXEMPTIONS, AND TAX SUPPORTED DATA" for a listing of the amounts of the exemptions described above.

The District has adopted the tax freeze for citizens who are disabled or are 65 years of age or older.

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 nonbusiness personal property; and Atascosa County Tax Assessor/Collector collects taxes for the District.

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

The District does not tax freeport property.

The District does not tax goods-in-transit.

The District has not adopted a tax abatement policy.

TABLE 1 – VALUATION, EXEMPTIONS AND TAX SUPPORTED DATA[(1)]

2025/2026 Market Valuation Established by Atascosa County Appraisal District[(1)] (excluding totally exempt property)			$	1,602,426,566
Less Exemptions/Reductions at 100% Market Value:				
$140,000 Residential Homestead Exemptions (State Mandated)	$	227,494,691		
Residential Homestead Exemptions (Over 65)		21,525,923		
Disabled Veterans		18,966,382		
Disabled Persons		1,743,197		
Productivity Loss		587,015,234		
Homestead Cap		28,611,640		
Circuit Breaker Cap (23.231)		11,806,210		
Value Lost Due to Tax Freeze on Over-65 and Qualified Over-55		25,627,585		
Other		2,538,462		
Transfer Adjustment		(1,915)		925,327,409
2025/2026 Taxable Assessed Valuation			$	677,099,157
Existing Debt Payable from Ad Valorem Taxes (as of May 31, 2026)				
Unlimited Tax Bonds	$	50,355,000		
Time Warrants		205,000		
Plus: The Bonds		10,000,000		
Total Debt Payable from Ad Valorem Taxes			$	60,560,000
Less: Interest and Sinking Fund (as of August 31, 2025)				1,101,335
Net Debt Payable from Ad Valorem Taxes			$	59,458,665
Ratio Tax Supported Debt to Taxable Assessed Valuation				8.94%
Ratio Net Tax Supported Debt to Taxable Assessed Valuation				8.78%

2025 Population		10,622
Per Capita Taxable Assessed Valuation	$	63,745
Per Capita Net Debt payable from Ad Valorem Taxes	$	5,701

(1) Taxable value information reported by the Atascosa Central Appraisal District. Certified values are subject to change as contested values are resolved and the appraisal district updates its records. The District has received a certified estimate of taxable values for 2026/27 of $704,991,626. Taxable values are subject to change during the year as protests are resolved.

TABLE 2 – TAXABLE ASSESSED VALUATION BY CATEGORY

	Taxable Appraised Value for Fiscal Year Ended August 31 (1)					
	2026		2025		2024	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$445,510,209	27.80%	$426,429,149	29.19%	$382,193,557	28.73%
Real, Residential, Multi-Family	3,220,830	0.20%	2,992,230	0.20%	2,994,719	0.23%
Real, Vacant Lots/Tracts	27,668,315	1.73%	27,195,819	1.86%	25,784,569	1.94%
Real, Acreage (Land Only)	597,964,249	37.32%	513,171,310	35.13%	473,381,087	35.59%
Real, Acreage (Improvements)	5,769,742	0.36%	5,845,931	0.40%	5,661,932	0.43%
Real, Farm and Ranch Improvements	309,246,404	19.30%	296,515,680	20.30%	272,279,891	20.47%
Real, Commercial	51,154,656	3.19%	45,145,415	3.09%	45,621,225	3.43%
Real, Industrial	48,722,220	3.04%	50,175,780	3.44%	50,970,360	3.83%
Real, Oil, Gas and Other Mineral Reserves	16,310	0.00%	16,310	0.00%	16,310	0.00%
Real and Tangible Personal, Utilities	14,253,440	0.89%	11,076,060	0.76%	10,805,750	0.81%
Tangible Personal, Commercial	10,967,980	0.68%	8,685,540	0.59%	7,768,300	0.58%
Tangible Personal, Industrial	42,153,030	2.63%	28,243,830	1.93%	9,826,040	0.74%
Tangible Personal, Mobile Homes	42,778,131	2.67%	42,739,402	2.93%	40,362,976	3.03%
Tangible Personal, Other	-	-	-	-	-	-
Real Property, Inventory	2,882,170	0.18%	2,333,550	0.16%	1,550,130	0.12%
Special Inventory	118,880	0.01%	65,310	0.00%	968,920	0.07%
Total Appraised Value Before Exemptions	$1,602,426,566	100.00%	$1,460,631,316	100.00%	$1,330,185,766	100.00%
Less: Total Exemptions/Reductions	925,327,409		796,452,201		737,659,364	
Taxable Assessed Value	$677,099,157		$664,179,115		$592,526,402	

	Taxable Appraised Value for Fiscal Year Ended August 31 (1)			
	2023		2022	
Category	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$305,420,940	29.18%	$249,140,382	27.26%
Real, Residential, Multi-Family	2,827,266	0.27%	2,841,670	0.31%
Real, Vacant Lots/Tracts	21,243,702	2.03%	16,838,471	1.84%
Real, Acreage (Land Only)	363,748,097	34.76%	326,399,400	35.71%
Real, Acreage (Improvements)	5,045,981	0.48%	4,707,752	0.52%
Real, Farm and Ranch Improvements	204,527,697	19.54%	173,609,700	19.00%
Real, Commercial	32,917,660	3.15%	27,714,648	3.03%
Real, Industrial	50,486,480	4.82%	47,119,620	5.16%
Real, Oil, Gas and Other Mineral Reserves	16,310	0.00%	19,780	0.00%
Real and Tangible Personal, Utilities	10,899,810	1.04%	10,673,880	1.17%
Tangible Personal, Commercial	7,836,200	0.75%	8,171,560	0.89%
Tangible Personal, Industrial	11,229,340	1.07%	24,712,810	2.70%
Tangible Personal, Mobile Homes	27,903,910	2.67%	21,004,200	2.30%
Tangible Personal, Other	-	-	-	-
Real Property, Inventory	1,295,050	0.12%	0	0.00%
Special Inventory	1,176,780	0.11%	951,180	0.10%
Total Appraised Value Before Exemptions	$1,046,575,223	100.00%	$913,905,053	100.00%
Less: Total Exemptions/Reductions	528,349,279		388,628,228	
Taxable Assessed Value	$518,225,944		$525,276,825	

(1) Source: Atascosa Central Appraisal District. Certified values are subject to change as contested values are resolved and the appraisal district updates its records. The District has received a certified estimate of taxable values for 2026/27 of $704,991,626. Taxable values are subject to change during the year as protests are resolved.

TABLE 3 – VALUATION AND TAX SUPPORTED DEBT HISTORY

Fiscal Year Ended 8/31	Estimated Population[(1)]	Taxable Assessed Valuation[(2)]	Taxable Assessed Valuation Per Capita	Tax Supported Net Debt Outstanding at End of Year	Ratio of Tax Net Debt to Taxable Assessed Valuation	Tax Supported Net Debt Per Capita
2019	8,258	$300,454,658	$36,383	$12,097,737	4.03%	$1,465
2020	7,723	416,277,226	53,901	16,067,548	3.86%	2,080
2021	7,478	412,779,997	55,199	19,680,957	4.77%	2,632
2022	7,785	461,157,854	59,237	20,694,881	4.49%	2,658
2023	9,968	518,225,944	51,989	20,898,170	4.03%	2,097
2024	9,968	592,526,402	59,443	20,876,377	7.70%	2,094
2025	9,968	664,179,115	66,631	51,162,835	7.70%	5,133
2026	10,622	677,099,157	63,745	59,458,665 [(3)]	8.78%	5,598

(1) Source: Municipal Advisory Council of Texas.

(2) As reported by the Atascosa County Appraisal District on the District's Certified Totals, which are subject to change as contested values are resolved and the appraisal district updates its records. The District has received a certified estimate of taxable values for 2026/27 of $704,991,626. Taxable values are subject to change during the year as protests are resolved.

(3) Projected as of the fiscal year end. Includes the Bonds.

TABLE 4 – TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 8/31	Tax Rate	Local Maintenance	Interest & Sinking Fund	Tax Levy	% Current Collections [(1)]	% Total Collections [(1)]
2022	$1.3979	$0.9761	$0.4218	$7,244,021	91.85%	98.98%
2023	1.2894	0.9427	0.3467	7,639,781	93.57%	101.56%
2024	1.2040	0.7573	0.4467	7,996,431	92.51%	95.65%
2025	1.2124	0.7549	0.4575	8,000,685	93.88%	97.94%
2026	1.2124	0.7866	0.4258	8,209,150	(In Process of Collections)	

(1) Collections as of August 31, 2025.

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TABLE 5 – TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2025/26 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
SP Silica of Atascosa LLC	Wholesale Supplier & Distribution Center	$31,810,230	4.70%
Black Mountain Sand	Quarry	22,805,097	3.37%
Liberty Lift Solutions	Oilfield Artificial Lift	10,584,820	1.56%
Frontier Access LLC	Waste Disposal	5,866,160	0.87%
Stout Construction LLC	Excavating/Construction	5,477,490	0.81%
Karnes Electric Co-Op	Electric Utility	4,810,000	0.71%
AEP Texas Inc	Electric Utility	4,473,190	0.66%
Valence Drilling Fluids	Drilling	4,420,060	0.65%
Martin Marietta Materials	Quarry	4,360,910	0.64%
SPH Culebra Ltd	Real Estate	4,000,000	0.59%
		$98,607,957	14.56%

As shown in the table above, the top ten taxpayers in the District currently account for more than 14% of the District's tax base. The top three taxpayers alone account for over 9% of the District's taxable assessed valuation. Adverse developments in economic conditions, especially in a particular top taxpayer's industry, could adversely impact these businesses and, consequently, the tax values in the District, resulting in less local tax revenue. If any major taxpayer, or a combination of top taxpayers, were to default in the payment of taxes, the ability of the District to make timely payment of debt service on the Bonds may be dependent on its ability to enforce and liquidate its tax lien, which is a time consuming process that may only occur annually or to fund debt service payments from other resources, if available. See "THE BONDS – Default and Remedies" and "AD VALOREM TAX PROCEDURES – District's Rights in the Event of Tax Delinquencies" herein.

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TABLE 6 – TAX ADEQUACY

FY 2026 I&S Tax Support Debt Service Requirements, Fiscal Year Ending August 31, 2026[(1)]	$ 3,232,725
Less: Estimated State Debt Service Assistance on outstanding debt[(2)]	355,734
Less: Estimated I&S fund revenue from taxes levied on frozen properties[(3)]	65,410
Net Tax Supported Debt Service Requirements, Fiscal Year Ending August 31, 2026	2,811,581
$0.42580 Tax Rate applied to 2025/26 Net Taxable Value @ 98% Collection Produces	$ 2,840,779

Average Annual I&S Tax Supported Debt Service Requirements, FY 2027-2056 (Unlimited Tax Bonds)	$ 3,542,682
Less: Estimated State Debt Service Assistance on outstanding debt[(2)]	355,734
Less: Estimated I&S fund revenue from taxes levied on frozen properties[(3)]	50,597
Net General Obligation Principal and Interest Requirements[(3)]	3,136,351
$0.48500 Tax Rate applied to Preliminary 2026/27 Net Taxable Value @ 98% Collection Produces[(5)]	$ 3,218,519

(1) Debt service does not include debt service on Time Warrants paid from the General Fund.

(2) The District received $355,734 in State financial assistance for debt service in fiscal year 2026 representing state aid for the increase in the state-mandated homestead exemption (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 Legislative Session"). The amount of state financial assistance for debt service may differ from year to year, depending on a number of factors, including amounts, if any, appropriated for that purpose by the Texas Legislature and the District's wealth per student.

(3) The District has received a certified estimate of taxable values for 2026/27 of $704,991,626. Taxable values are subject to change during the year as protests are resolved.

(4) Includes the Bonds.

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TABLE 7 – ESTIMATED OVERLAPPING DEBT

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

Taxing Jurisdiction	2025/26 Taxable Assessed Valuation	2025/26 Tax Rate	Total Tax Supported Debt	Estimated % Applicable	District's Overlapping Funded Debt	Authorized But Unissued Tax Debt as of
Poteet Independent School District	$ 677,099,157	$ 1.2124	$60,560,000 [1]	100.00%	$60,560,000	$20,000,000
Poteet, City of	126,750,927	0.9958	10,244,000	100.00%	10,244,000	-
Atascosa County	7,160,044,011	0.4100	14,975,000	13.50%	2,021,625	-
Total Direct and Overlapping Tax Debt					$72,825,625	
Ratio of Direct Overlapping Tax Debt to Taxable Assessed Valuation					10.76%	
Per Capita Overlapping Tax Debt					$ 6,856.11	

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(1) Includes the Bonds.

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TABLE 8 –DEBT SERVICE REQUIREMENTS

Fiscal Year Ending Aug. 31	Existing I&S Tax Debt Service [(1)]	Plus: The Bonds Principal	Interest	Debt Service	Total Debt Service	% of Principal Retired
2026	$ 3,232,725	$ -	$ -	$ -	$ 3,232,725	
2027	3,215,350	-	505,075	505,075 [(2)]	3,720,425 [(2)]	
2028	3,277,600	-	510,750	510,750	3,788,350	
2029	3,419,850	-	510,750	510,750	3,930,600	
2030	3,441,800	-	510,750	510,750	3,952,550	9.2%
2031	3,474,950	-	510,750	510,750	3,985,700	
2032	3,498,450	-	510,750	510,750	4,009,200	
2033	3,504,250	-	510,750	510,750	4,015,000	
2034	3,516,100	-	510,750	510,750	4,026,850	
2035	3,523,500	-	510,750	510,750	4,034,250	22.5%
2036	3,530,100	-	510,750	510,750	4,040,850	
2037	3,537,850	-	510,750	510,750	4,048,600	
2038	3,534,150	-	510,750	510,750	4,044,900	
2039	3,536,550	50,000	510,750	560,750	4,097,300	
2040	3,534,600	50,000	508,250	558,250	4,092,850	39.7%
2041	3,533,300	50,000	505,750	555,750	4,089,050	
2042	3,537,400	50,000	503,250	553,250	4,090,650	
2043	2,361,450	500,000	500,750	1,000,750	3,362,200	
2044	2,362,450	525,000	475,750	1,000,750	3,363,200	
2045	2,359,950	550,000	449,500	999,500	3,359,450	57.6%
2046	2,358,950	580,000	422,000	1,002,000	3,360,950	
2047	2,359,200	605,000	393,000	998,000	3,357,200	
2048	2,360,450	635,000	362,750	997,750	3,358,200	
2049	2,357,450	670,000	331,000	1,001,000	3,358,450	
2050	2,360,200	700,000	297,500	997,500	3,357,700	77.5%
2051	2,357,600	735,000	262,500	997,500	3,355,100	
2052	2,362,000	775,000	225,750	1,000,750	3,362,750	
2053	2,358,000	815,000	185,063	1,000,063	3,358,063	
2054	2,360,800	860,000	142,275	1,002,275	3,363,075	96.9%
2055	-	900,000	97,125	997,125	997,125	
2056	-	950,000	49,875	999,875	999,875	100.0%
Totals	$ 87,167,025	$ 10,000,000	$ 12,346,163	$ 22,346,163	$ 109,513,188	

(1) Existing I&S Tax Debt Service does not include the District's Time Warrants, Series 2022 payable from the District's General Fund. See "Table 11 – Other Obligations".

(2) The District will use capitalized interest to pay a portion of interest due on the Bonds in Fiscal Year 2027.

TABLE 9 – INTEREST AND SINKING FUND BUDGET PROJECTIONS

Tax Supported Debt Service Requirements, FY Ending August 31, 2027[1]		$ 3,720,425
Interest and Sinking Fund Tax Levy @ 98% Collection [2]	3,218,519	
Estimated revenue from taxes levied on frozen properties [2]	50,597	
Capitalized Interest in FY 2027	240,000	
Estimated State Debt Service Assistance on outstanding debt [3]	355,734	
Estimated I&S Fund Sources, FY Ending August 31,2027		3,864,850
Estimated Balance, August 31, 2026		$ 144,425

(1) Debt service does not include debt service on Time Warrants and Maintenance Tax Notes paid from the General Fund.

(2) The District has received a certified estimate of taxable values for 2026/27 of $704,991,626. Taxable values are subject to change during the year as protests are resolved.

(3) The District received $355,734 in State financial assistance for debt service in fiscal year 2026 and is budgeting a similar amount for fiscal year 2027; such amount represents state aid for the increase in the state-mandated homestead exemption (See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 Legislative Session"). The amount of state financial assistance for debt service may differ from year to year, depending on a number of factors, including amounts, if any, appropriated for that purpose by the Texas Legislature and the District's wealth per student.

TABLE 10 – AUTHORIZED BUT UNISSUED UNLIMITED TAX BONDS

After the issuance of the Bonds, the District will have $20,000,000 of authorized but unissued bonds remaining from an election held on May 4, 2024. The District anticipates issuing its remaining unlimited tax bond authority within the next 24 months.

In addition to unlimited tax bonds, 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.

TABLE 11 – OTHER OBLIGATIONS

On February 17, 2022, the District issued $1,000,000 Poteet Independent School District Time Warrants, to finance a portion of the costs of an agricultural educational facility. The Time Warrants were issued as a private placement with TIB, N.A. as the purchaser of the Time Warrants. The Time Warrants have a final maturity of February 15, 2027.

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TABLE 12 – CHANGE IN NET ASSETS[1]

	Fiscal Year Ended August 31,				
	2025	2024	2023	2022	2021
Program Revenues:					
Charges for Services	$ 1,006,260	$ 249,067	$ 173,049	$ 70,055	$ 80,518
Operating Grants and Contributions	4,230,745	5,102,362	5,606,884	4,747,252	3,240,313
Property Taxes	8,207,534	7,341,101	7,271,429	7,116,300	6,212,610
General Grants [1]	15,451,706	14,447,918	14,146,717	12,315,546	12,236,028
Investment Earnings	2,135,295	792,592	645,402	62,831	3,605
Other	366,067	122,622	54,712	128,658	84,596
	$ 31,397,607	$ 28,055,662	$ 27,898,193	$ 24,440,642	$ 21,857,670
Expenses:					
Instruction	$ 12,306,326	$ 12,766,134	$ 10,734,685	$ 9,288,798	$ 9,651,017
Instructional Resources & Media Services	129,358	145,484	146,298	128,791	137,423
Curriculum & Staff Development	576,481	528,731	356,139	107,858	150,997
Instructional Leadership	510,586	405,280	383,818	356,057	315,414
School Leadership	1,388,122	1,314,543	1,010,335	968,601	1,000,868
Guidance, Counseling & Evaluation Services	1,558,722	991,381	606,041	492,099	580,003
Social Work Services	54,979	50,938	44,041	21,356	21,941
Health Services	264,622	268,819	213,486	229,706	202,044
Student (Pupil) Transportation	879,457	916,508	706,635	511,646	540,091
Food Services	1,468,390	1,516,618	1,389,336	1,159,888	1,075,899
Extracurricular Activities	1,456,391	1,398,574	1,257,940	1,105,826	1,035,638
General Administration	879,201	952,844	985,605	763,451	708,914
Plant Maintenance and Operations	3,827,424	3,653,939	3,266,906	3,225,434	3,260,691
Security Services	488,804	584,636	288,985	240,325	167,530
Data Processing Services	589,211	588,476	500,276	429,348	430,322
Community Services	35,307	46,153	28,309	6,238	7,169
Debt Service - Interest on Long Term Debt	1,911,242	628,773	564,159	749,639	861,597
Debt Service - Bond Issuance Costs	4,350	323,557	1,600	207,442	850
Facility Acquisition and Construction	158,675	-	78,750	-	-
Payments to Fiscal Agent/Member Districts SSA	359,550	350,000	227,466	142,357	139,411
Payments to Juvenile Justice Alternative Ed. Prg.	31,077	22,267	6,553	8,977	6,247
Other Intergovernmental Charges	195,767	175,377	105,066	108,410	98,242
Total Expenses	$ 29,074,042	$ 27,629,032	$ 22,902,429	$ 20,252,247	$ 20,392,308
Increase (Decrease) in Net Assets	$ 2,323,565	$ 426,630	$ 4,995,764	$ 4,188,395	$ 1,465,362
Beginning Net Assets	12,431,330	12,004,700	7,008,936	2,820,541	1,355,179
Prior Period Adjustment	(1,511,675)	-	-	-	-
Ending Net Assets	$ 13,243,220	$ 12,431,330	$ 12,004,700	$ 7,008,936	$ 2,820,541

Source: The District's Audited Financial Statements

[1] Source: The District's Audited Financial Statements.

TABLE 12A – GENERAL FUND REVENUE AND EXPENDITURE HISTORY[(1)]

	2025	2024	2023	2022	2021
Revenues:					
Local and Intermediate Sources	$ 6,008,826	$ 5,401,527	$ 6,314,191	$ 5,202,955	$ 4,453,177
State Sources	16,541,300	14,985,391	14,651,571	13,297,122	12,027,440
Federal Sources	185,861	629,339	538,162	338,792	382,837
	$ 22,735,987	$ 21,016,257	$ 21,503,924	$ 18,838,869	$ 16,863,454
Expenses:					
Current:					
Instruction	$ 11,490,427	$ 10,566,722	$ 9,404,590	$ 8,673,121	$ 8,847,469
Instructional Resources and Media Services	135,851	148,985	152,882	141,160	138,574
Curriculum and Instructional Staff Development	282,279	193,219	64,430	36,393	35,548
Instructional Leadership	379,188	324,669	405,062	392,650	318,477
School Leadership	1,458,549	1,338,658	1,061,619	1,041,160	1,002,063
Guidance, Counseling and Evaluation Services	976,154	925,134	437,838	343,864	497,059
Social Work Services	58,004	59,027	47,209	24,070	22,191
Health Services	276,088	273,950	231,508	222,603	202,581
Student (Pupil) Transportation	723,327	1,623,465	882,110	579,979	478,107
Food Services	-	-	-	-	9,771
Cocurricular/Extracurricular Activities	1,083,094	1,014,015	867,004	842,157	745,767
General Administration	900,183	920,009	1,011,779	817,720	714,668
Facilities Maintenance and Operations	2,382,589	2,355,398	1,921,873	1,846,715	1,831,109
Security and Monitoring Services	439,932	431,612	342,111	242,093	161,375
Data Processing Services	583,419	610,410	464,154	385,347	354,245
Community Services	28,328	35,574	25,433	966	90
Principal on Long-Term Debt	284,000	280,000	274,000	78,000	77,000
Interest on Long-Term Debt	10,101	14,410	18,703	15,172	10,439
Facilities Acquisition	23,778	1,303,958	61,055	683,864	646,316
Payments to Shared Service Arrangements	359,550	350,000	227,466	142,357	139,411
Payments to Juvenile Justice Program	31,077	22,267	6,553	8,977	6,247
Other Intergovernmental Charges	195,767	175,377	105,066	108,410	98,242
Total Expenses	$ 22,101,685	$ 22,966,859	$ 18,012,445	$ 16,626,778	$ 16,336,749
Excess (Deficiency) of					
Revenues Over Expenditures	$ 634,302	$ (1,950,602)	$ 3,491,479	$ 2,212,091	$ 526,705
Other Financing Sources and (Uses)					
Sale of Real/Personal Property	$ -	$ -	$ 28,676	$ 36,385	$ 51,303
Transfers In	-	-	671,250		
Transfers Out	(220,000)	(475,000)	-	(1,750,000)	(223,687)
	(220,000)	(475,000)	699,926	(1,713,615)	(172,384)
Net Change in Fund Balance	414,302	(2,425,602)	4,191,405	498,476	354,321
Beginning Fund Balance on September 1	12,314,587	14,740,189	10,548,784	10,050,308	9,695,987
Ending Fund Balance on August 31	$ 12,728,889	$ 12,314,587	$ 14,740,189	$ 10,548,784	$ 10,050,308

(1) Source: The District's Audited Financial Statements.

(2) The increase in General Fund Balance in FYE 2023 from FY2022 is due to increased tax collections due to increased property values and increased state funding due to higher enrollment.

(3) The District's unaudited general fund balance as of August 31, 2026 is estimated to be approximately $12,957,504; such amount has not been audited and is subject to change.

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.

Current Litigation Relating to the Texas Public School Finance System

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

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

Possible Effects of Changes in Law on District Bonds

The Court's decision in *Morath* 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 State Legislature could enact future changes to the Finance System. Any such changes could benefit or be a detriment to the District. If the State 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 State 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 as it is currently structured. The information contained under the captions "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" and "TAX RATE LIMITATIONS" is subject to change, and only reflects the District's understanding based on information available to the District as of the date of this Official Statement. See "2025 Legislative Session" below. For a more complete description of school finance and fiscal management in the State, reference is made to Chapters 43 through 49 of the Texas Education Code, as amended. Additionally, prospective investors are encouraged to review the Property Tax Code (as defined herein) for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the defined tax rates.

Local funding is derived from collections of ad valorem taxes levied on property located within each school district's boundaries. School districts are authorized to levy two types of property taxes: a maintenance and operations ("M&O") tax to pay current expenses and an interest and sinking fund ("I&S") tax to pay debt service on bonds. School districts may not levy an M&O tax at a rate intended to create a surplus in M&O tax revenues to pay the school district's debt service. 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 also subject to wide variation; however, the public school finance funding formulas are designed to generally equalize, on a per-student basis, local funding generated by a school district's M&O tax rate.

2025 Legislative Session

The regular session of the 89th Texas Legislature convened on January 14, 2025 and concluded on June 2, 2025 (the "89th Regular Session"). The Texas Legislature (the "Legislature") meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor of Texas (the "Governor") may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Governor called a first special session, which began on July 21, 2025 and ended on August 15, 2025. 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 adopted a general appropriations act and legislation affecting the Finance System (as defined herein) and ad valorem taxation procedures and exemptions, and investments, among other legislation affecting school districts and the administrative agencies that oversee school districts. Pursuant to voter approval at a Statewide election held on November 4, 2025, and legislation passed by both houses of the Legislature there is an increase in: (1) effective January 1, 2025, the State mandated general homestead exemption from $100,000 to $140,000, (2) effective January 1, 2025, the additional exemption on the residence homesteads of those at least sixty-five (65) years of age and the disabled from $10,000 to $60,000, and (3) effective January 1, 2026, the exemption for tangible personal property used in the "production of income" from $2,500 to $125,000. Additionally, both houses of the Legislature passed and the Governor signed legislation that authorizes roughly $8.5 billion in funding for public schools and provides districts with a $55 per-student increase to their base funding beginning September 1, 2025, as well as provide districts with additional funding for teacher and staff salaries, educator preparation, special education, safety requirements and early childhood learning. Finally, legislation passed by the Legislature and signed into law by the Governor will create an education savings account program (commonly referred to as vouchers) for students that attend private schools or are homeschooled. The legislation became effective September 1, 2025, when the state fiscal biennium began, though families will not receive ESA funds until the 2026-2027 school year. The amount spent for purposes of the program for the 2025-2027 biennium may not exceed $1 billion. Beginning on September 1, 2027, the legislation requires the Legislature to reappropriate funds for the program for each subsequent State fiscal biennium. Such program could impact attendance in the District by incentivizing students to homeschool or attend private schools, which could negatively affect the District's attendance-based funding.

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

Local Funding for School Districts

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

State Compression Percentage. The "State Compression Percentage" ("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 (defined below). The SCP is the lesser of three alternative calculations: (1) 93% or a lower percentage set by appropriation for a school year; (2) a percentage determined by formula if the estimated total taxable property value of the State (as submitted annually to the State Legislature by the State Comptroller) has increased by at least 2.5% over the prior year; and (3) the prior year SCP. For any year, the maximum SCP is 93%. For the State fiscal year ending in 2026, the SCP is set at 63.22%.

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

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

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

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

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

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, as discussed herein), and in some instances is required to be used for that purpose (see "TAX RATE LIMITATIONS – I&S Tax Rate Limitations" herein), Tier Two funding may not be used for the payment of debt service or capital outlay.

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

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

Tier One. Tier One funding is the basic level of 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, the demographics of students in ADA and the educational programs the students are being served in, to make up most of a school district's Tier One entitlement under the Foundation School Program.

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

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

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

Existing Debt Allotment, Instructional Facilities Allotment, and New Instructional Facilities Allotment. The Foundation School Program also includes facilities funding components consisting of the IFA and the EDA, subject to legislative appropriation each State fiscal biennium. To the extent funded for a biennium, these programs assist school districts in funding facilities by, generally, equalizing a school district's I&S tax effort. The IFA guarantees each awarded school district a specified amount per student (the "IFA Yield") in State and local funds for each cent of I&S tax levied to pay the principal of and interest on eligible bonds issued to construct, acquire, renovate or improve instructional facilities. The IFA Yield has been $35 since this program first began in 1997. New awards of IFA are only available if appropriated funds are allocated for such purpose by the State Legislature. To receive an IFA award, in years where new IFA awards are available, a school district must apply to the 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 Commissioner. A school district may use additional state aid received from an IFA award only to pay the principal of and interest on the bonds for which the district received the aid. The guaranteed level of State and local funds per student per cent of local tax effort applicable to the bonds may not be reduced below the level provided for the year in which the bonds were issued. For the 2026-2027 State fiscal biennium, the State Legislature did not appropriate any funds for new IFA awards; however, awards previously granted in years the State Legislature did appropriate funds for new IFA awards will continue to be funded.

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

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

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

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

For the 2026-2027 school year, school districts will be held harmless and entitled to additional state aid to the extent that state and local revenue used to service eligible debt is less than the state and local revenue that would have been available to the district under state law providing for state aid to districts to account for increases in the general residence homestead exemption and the elderly or disabled tax ceiling, 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 the Texas Education Code, as amended ("Chapter 49"). Additionally, in years in which the amount of State funds appropriated specifically excludes the amount necessary to provide the guaranteed yield for Golden Pennies, local revenues generated on a school district's Golden Pennies in excess of the school district's respective funding entitlement are subject to the local revenue reduction provisions of Chapter 49. To reduce local revenue, Chapter 49 school districts are generally subject to a process known as "recapture," which requires a Chapter 49 school district to exercise certain options to remit local M&O tax revenues collected in excess of the Chapter 49 school district's funding entitlements to the State (for redistribution to other school districts) or otherwise expending the respective M&O tax revenues for the benefit of students in school districts that are not Chapter 49 school districts, as described in the subcaption "Options for Local Revenue Levels in Excess of Entitlement." Chapter 49 school districts receive their allocable share of funds distributed from the constitutionally-prescribed Available School Fund but are generally not eligible to receive State aid under the Foundation School Program , although they may continue to receive State funds for certain competitive grants and certain programs that remain outside the Foundation School Program.

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

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

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

THE SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT

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

A district's "excess local revenue" must be tested for each future school year and, if it exceeds the maximum permitted level, 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 September 30, 2000, in accordance with the provisions of Section 45.003, Texas Education Code, as amended.

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

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

I&S Tax Rate Limitations

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

Section 45.0031 of the Texas Education Code, as amended, requires a school district to demonstrate to the Texas Attorney General that it has the prospective ability to pay its maximum annual debt service on a proposed issue of bonds and all previously issued bonds, other than bonds approved by voters of a school district at an election held on or before April 1, 1991 and issued before September 1, 1992 (or debt issued to refund such bonds, collectively, "exempt bonds"), from a tax levied at a rate of $0.50 per $100 of assessed valuation before bonds may be issued (the "50-cent Test"). In demonstrating the ability to pay debt service at a rate of $0.50, a school district may take into account EDA and IFA allotments to the school district, which effectively reduces the school district's local share of debt service and may also take into account Tier One funds allotted to the school district. If a school district exercises this option, it may not adopt an I&S tax until it has credited to the school district's I&S fund an amount equal to all State allotments provided solely for payment of debt service and any Tier One funds needed to demonstrate compliance with the threshold tax rate test and which is received or to be received in that year. Additionally, a school district may demonstrate its ability to comply with the 50-cent Test by applying the $0.50 tax rate to an amount equal to 90% of projected future taxable value of property in the school district, as certified by a registered professional appraiser, anticipated for the earlier of the tax year five (5) years after the current tax year or the tax year in which the final payment for the bonds is due. However, if a school district uses projected future taxable values to meet the 50-cent Test and subsequently imposes a tax at a rate greater than $0.50 per $100 of valuation to pay for bonds subject to the test, then for subsequent bond issues, the Texas Attorney General must find that the school district has the projected ability to pay principal and interest on the proposed bonds and all previously issued bonds subject to the 50-cent Test from a tax rate of $0.45 per $100 of valuation. Once the prospective ability to pay such tax has been shown and the bonds are issued, a school district may levy a tax, within legal limits, 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, as amended, Texas Education Code, and are, therefore, subject to the 50-cent 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 or (b) the rate of $0.05 per $100 of taxable value; and (iii) the school district's current I&S tax rate. A school district's M&O tax rate may not exceed the rate equal to the sum of (i) $0.17 and (ii) the school district's MCR (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" herein, for more information regarding the State Compression Percentage, MCR, and the Enrichment Tax Rate).

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

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

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

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

EMPLOYEE BENEFITS, RETIREMENT PLAN AND OTHER POST-EMPLOYMENT BENEFITS

The District contributes to the Teacher Retirement System of Texas (the "System"), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception: all risks and costs are not shared by the District but are the liability of the State. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates primarily under the provisions of the Texas Constitution and the Texas Government Code, Title 8, Subtitle C. See "Notes to the Financial Statements – Note F – Pension Plan" as set out in the audited financial statements of the District for the year ended August 31, 2025 as set forth in APPENDIX B hereto.

The District contributes to the Texas Public School Retired Employees Group Insurance Program ("TRS-Care"), a cost-sharing multiple-employer defined benefit post-employment health care plan administered by the System. TRS-Care provides health care coverage for certain persons (and their dependents) who retired under the System. See "Notes to the Financial Statements, Note G –Other Post-Employment Benefit – Retiree Health Care Plan" in the audited financial statements of the District for the year ended August 31, 2025 as set forth in APPENDIX B hereto.

In June 2012, the Government Accounting Standards Board ("GASB") issued Statement No. 68 Accounting and Financial Reporting for Pensions, which was later amended by GASB Statement No. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date, each in an effort to improve accounting and financial reporting by state and local governments related to pensions. GASB Statement No. 68 requires reporting entities, such as the District, to recognize their proportionate share of the net pension liability and operating statement activity related to changes in collective pension liability. Reporting entities, such as the District, that contribute to the System pension plan will report a liability on the face of their government-wide financial statements. Such reporting began with the District's fiscal year ending August 31, 2015. GASB Statement No. 68 applies only to pension benefits and does not apply to other post-employment benefits or TRS-Care related liabilities. As of August 31, 2025, the District had a net pension liability of $6,673,958 for its proportionate share of TRS's net pension liability.

Formal collective bargaining agreements relating directly to wages and other conditions of employment are prohibited by State law, as are strikes by teachers. There are various local, state and national organized employee groups who engage in efforts to better terms and conditions of employment of school employees. Some districts have adopted a policy to consult with employer groups with respect to certain terms and conditions of employment. Some examples of these groups are the Texas State Teachers Association, the Texas Classroom Teachers Association, the Association of Texas Professional Educators and the National Education Association.

LEGAL MATTERS

Legal Opinion

The District will furnish to the Underwriters a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinions of the Attorney General of 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 approving legal opinions of McCall, Parkhurst & Horton L.L.P. ("Bond Counsel") with respect to the Bonds being issued in compliance with the provisions of applicable law and the interest on the Bonds being excluded from gross income for purposes of federal income tax subject to the matters described in "TAX MATTERS" herein. McCall, Parkhurst & Horton L.L.P. also advises the TEA in connection with its disclosure obligations under the federal securities laws, but such firm has not passed upon any TEA disclosures contained in this Official Statement. The form of Bond Counsel's opinion is attached hereto as APPENDIX C.

The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds, or that would affect the provisions made for their payment or security, or in any manner questioning the validity of said Bonds will also be furnished. Although it may represent the Financial Advisor and the Underwriters from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the District in the issuance of the Bonds. Except as noted below, Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and Bond Counsel has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein except that in its capacity as Bond Counsel, such firm has reviewed the information (except any financial, statistical, or technical data) appearing under the captions or subcaptions "THE BONDS" (except under the subcaptions "Permanent School Fund Guarantee," "Sources and Uses of Funds," "Default and Remedies," and "Payment Record" as to which no opinion is expressed), "REGISTRATION, TRANSFER AND EXCHANGE" and "CONTINUING DISCLOSURE" (except under the subcaption "Compliance with Prior Undertakings" as to which no opinion is expressed) and such firm is of the opinion that the information contained therein fairly and accurately reflects the provisions of the Order; further, Bond Counsel has reviewed the information appearing under the captions or subcaptions "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS," "CURRENT PUBLIC SCHOOL FINANCE SYSTEM," "TAX RATE LIMITATIONS" (first paragraph only), "LEGAL MATTERS – Legal Opinion" (except the last sentence of the second paragraph thereof, as to which no opinion is expressed), "TAX MATTERS," "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS" and "OTHER PERTINENT INFORMATION – Registration and Qualification of Bonds for Sale" and Bond Counsel is of the opinion that the information contained therein is correct as to matters of law. The District expects to pay the legal fee of Bond Counsel for services rendered in connection with the issuance of the Bonds from proceeds of the Bonds. Certain legal matters will be passed upon for the Underwriters by their counsel, Norton Rose Fulbright US LLP, Austin, Texas, whose fee is contingent upon the sale and delivery of the Bonds.

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

No-Litigation Certificate

In the opinion of various officials of the District, except as disclosed in this Official Statement, there is no litigation or other proceeding pending 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

Opinion

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

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

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

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

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

Federal Income Tax Accounting Treatment of Original Issue Discount

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

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

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

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

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

Collateral Federal Income Tax Consequences

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

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

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

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

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

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

State, Local and Foreign Taxes

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

Information Reporting and Backup Withholding

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

Future and Proposed Legislation

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

INVESTMENT POLICIES

The District invests its funds in investments authorized by Texas law in accordance with investment policies reviewed and approved annually 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 "AAAm"-rated investment pools that invest solely in investments described above; and (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.

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.

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.

TABLE 13 – CURRENT INVESTMENTS[(1)]

As of April 30, 2026[(1)], the District's investable funds were invested in the following categories:

Description	Percent	Value
Wells Fargo – General Fund	1.02%	$165,097
Wells Fargo – Debt Service	20.06%	3,257,164
TexPool – General Fund	78.93%	12,816,938
Total	100.00%	$16,239,200

(1) Unaudited.

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 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 are (i) negotiable instruments, (ii) investment securities to which Chapter 8 of the Texas Uniform Commercial Code applies, and (iii) legal and authorized investments for (A) an insurance company, (B) a fiduciary or trustee or (C) a sinking fund of a municipality or other political subdivision or public agency of the State. The Bonds are eligible to secure deposits of any public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas that have adopted investment policies and guidelines in accordance with the Public Funds Investment Act, 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 that might apply to such institutions or entities or that 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

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

Annual Reports

The District will provide certain updated financial information and operating data to certain information vendors 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 Tables 1 through 6 and 8 through 13 of this Official Statement and in Appendix B.

The District will update and provide this information within six months after the end of each fiscal year ending in or after 2026. The District will provide the updated information to the MSRB. The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements for the District, if the District commissions an audit and it is completed by the required time. If audited financial statements are not provided by that time, the District will provide unaudited financial statements for the applicable fiscal year to the MSRB, with the financial information and operating data and will file the annual audit report when and if the same becomes available.

Any such financial statements will be prepared in accordance with the accounting principles described in the District's annual financial statements or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

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

Notice of Certain Events

The District will also provide timely notice (not in excess of ten (10) business days after the occurrence of the event) of any of the following events with respect to the Bonds: (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 right of holder 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; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, 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 trustee or change in the name of the trustee, if material; (15) incurrence of a Financial Obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties. In the Order, the District will adopt policies and procedures to ensure timely compliance of its continuing disclosure undertakings. (Neither the Bonds nor the Order make any provision for debt service reserves, liquidity enhancement or credit enhancement other than the Permanent School Fund Guarantee described herein.)

For these purposes, (A) any event described in the immediately preceding clause (12) 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.

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 in this paragraph to the MSRB.

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 via EMMA at www.emma.msrb.org.

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

Compliance with Prior Undertakings

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.

USE OF AUDITED FINANCIAL STATEMENTS

The District's independent auditor has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Also, the District's independent auditor has not performed any procedures relating to this Official Statement.

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 that 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.

Rating

The Bonds have been rated "Aaa" by Moody's Investors Service, Inc. ("Moody's") by virtue of the guarantee of the Permanent School Fund of the State of Texas (see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM"). The Bonds and the presently outstanding tax supported debt of the District are rated "A1" by Moody's without regard to credit enhancement. An explanation of the significance of such rating may be obtained from the company furnishing the rating. A rating is not a recommendation to buy, hold, or sell securities. 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.

Municipal Advisor

PFM Financial Advisors LLC (the "Municipal Advisor") is employed as the Municipal Advisor to the District in connection with the issuance of the Bonds. The Municipal Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. PFM Financial Advisors LLC, in its capacity as Municipal Advisor, has relied on the opinion 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 preparing this Official Statement, the Municipal Advisor has relied on government officials and other sources to provide accurate information for disclosure purposes. The Municipal Advisor is not obligated to undertake, and has not undertaken, an independent verification of the accuracy, completeness, or fairness of the information contained in this Official Statement. PFM Financial Advisors LLC is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

Underwriting

The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the District a price equal to $10,354,751.66 (representing an aggregate principal amount of $10,0000,000.00, plus a offering premium of $425,997.20, less an Underwriters' discount of $71,245.54) and no accrued interest. The Underwriters' obligation is subject to certain conditions precedent. The Underwriters will be obligated to purchase all of the Bonds, if any of the Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

The Underwriters provided the following paragraphs for inclusion in this Official Statement and the District makes no representation or warranty with respect to such information.

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

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

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

SAMCO Capital Markets Inc., an Underwriter of the Poteet Independent School District Unlimited Tax School Building Bonds, Series 2026, has entered into a retail distribution agreement with Fidelity Capital Markets, a division of National Financial Services LLC (together with its affiliates, "Fidelity"). Under this distribution agreement, SAMCO Capital Markets Inc. may distribute municipal securities to retail investors at the original issue price through Fidelity. As part of this arrangement, SAMCO Capital Markets Inc. will compensate Fidelity for its selling efforts.

Forward Looking Statements

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

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

Concluding Statements

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

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.

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. This Official Statement will be approved by the Board of the District for distribution in accordance with the provisions of the United States Securities and Exchange Commission Rule codified at 17 C.F.R. Section 240.15c2-12.

POTEET INDEPENDENT SCHOOL DISTRICT

/s/ Ronnie Ambriz
President, Board of Trustees
Poteet Independent School District

ATTEST:

/s/Yvette Navarro
Secretary, Board of Trustees
Poteet Independent School District

APPENDIX A

GENERAL INFORMATION REGARDING THE DISTRICT

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THE DISTRICT

The Poteet Independent School District (the "District") is a political subdivision of the State of Texas located in Atascosa County and encompasses approximately 172.24 square miles. The District is located in South Texas and is an agricultural area.

ENROLLMENT AND FACILITIES

The school facilities currently provided by the District for 2025-26 include one elementary school (EE-2), one intermediate school (3-5), one junior high school (6-8), and one high school (9-12).

For the 2023-24 school year, the District employs a staff of approximately 338 which includes a professional staff of approximately 180. Education status of the teachers and administrators is as follows:

Doctorate's degree	1%
Master's degree	31%
Bachelor's degree	69%

Personnel distribution is as follows:

District level administrators	8
Building level administrators	12
Instructional staff	134
Professional support staff (counselors, librarians, nurses, etc.)	26
General personnel (secretaries, aides, clerks, bus drivers, etc.)	89
Maintenance/custodial	23
Food service	24
Transportation	2
SPED COOP	20

Teacher salaries are competitive with surrounding districts. Teacher salaries for 2025-26 range from $50,000 for beginning teachers to a maximum of $78,750.

Teacher/pupil ratios for 2025-26 are:

Elementary School	18/1
Intermediate School	19/1
Junior High School	18/1
High School	17/1

Historical membership for the District is as follows:

School Year	Enrollment
2021-22	1,676
2022-23	1,832
2023-24	1,837
2024-25	1,836
2025-26	1,867

ATASCOSA COUNTY

Atascosa County (the "County") is located in South Central Texas. The County's economy is based on mineral production and agriculture. The principal sources of agriculture are beef, dairy, cattle, peanuts, hay, strawberries, corn, and grain. Minerals produced in the County include oil, gas, and lignite.

LABOR FORCE STATISTICS FOR ATASCOSA COUNTY(1)

	2025(2)	2024(2)	2023(2)	2022(2)	2021(2)
Civilian Labor Force	23,086	22,768	22,259	21,681	212,111
Total Employment	22,075	21,824	21,386	20,781	19,887
Total Unemployment	1,011	944	873	900	1,324
Unemployment Rate	4.4%	4.1%	3.9%	4.2%	6.2%
% Unemployed (Texas)	4.3%	4.0%	3.6%	3.6%	5.4%
% Unemployed (US)	4.2%	4.1%	3.6%	3.7%	5.4%

(1) Source: Texas Workforce Commission.
(2) Annual statistics

EMPLOYMENT AND WAGES BY INDUSTRY – ATASCOSA COUNTY(1)(2)

	Fourth Quarter				
	2025	2024	2023	2022	2021
Construction	695	712	657	732	681
Education and Health Services	1,324	1,244	1,215	1,834	1,783
Financial Activities	529	511	490	498	443
Information	27	31	38	1,297	70
Leisure and Hospitality	1,357	1,306	1,363	1,297	1,291
Manufacturing	468	485	737	435	330
Natural Resources and Mining	2,721	2,775	2,494	2,716	2,174
Other Services	315	265	269	288	277
Professional and Business Services	716	762	761	843	704
Trade, Transportation and Utilities	3,499	3,459	3,449	3,392	2,962
Unclassified	10	24	9	3	3
State Government	90	82	72	82	67
Local Government	612	713	659	636	587
Total Employment	12,363	12,369	12,213	14,053	11,372
Total Wages	$865,631,221	$928,247,953	$977,935,330	$1,031,144,148	$1,075,344,590

(1) Source: Texas Workforce Commission
(2) Statistics do not include federal employees or their wages.

APPENDIX B

AUDITED FINANCIAL STATEMENTS

The information contained in this appendix consists of the Poteet Independent School District Audited Financial Statements (the "Report") for the fiscal year ended August 31, 2025, and is not intended to be a complete statement of and may no longer accurately describe the financial condition of the District.

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POTEET INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2025

POTEET INDEPENDENT SCHOOL DISTRICT

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POTEET INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS

CERTIFICATE OF BOARD

Poteet Independent School District	Atascosa	007-906
Name of School District	County	Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) ✓ approved ______ disapproved for the Year ended August 31, 2025, at a meeting of the board of trustees of such school district on the 15th day of December, 2025.

Signature of Board Secretary
V.P.

Signature of Board President

Armstrong, Vaughan & Associates, P. C.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Poteet Independent School District
Poteet, TX

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Change in Accounting Principle

As discussed in Note K to the financial statements, the District implemented GASB Statement 101 related to compensated absences as of September 1, 2024. Our opinion is not modified with respect to this matter.

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Phone: 210-658-6229 • Fax: 210-659-7611 • Email: info@avacpa.com • www.avacpa.com

Responsibilities of Management for the Financial Statements

Poteet Independent School District's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 Poteet Independent School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information (consisting of management's discussion and analysis and the required supplementary information section as listed in the table of contents) be presented to supplement the basic financial statements. Such information, 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 Poteet Independent School District's basic financial statements. The supplementary information (as listed in the table of contents) and schedule of expenditures of federal awards (SEFA) as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information, including the SEFA, 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. Such 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 supplementary information and SEFA 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 (as listed in the table of contents) does not include the financial statements and our auditor's report thereon. Our opinions on the 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 financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2025 on our consideration of Poteet Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Poteet Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

Armstrong, Vaughan & Associates, P.C.

Armstrong, Vaughan & Associates, P.C.

December 1, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Poteet Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal period ended August 31, 2025. Please read it in conjunction with the Independent Auditor's Report, which precedes this Analysis and the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position increased by $2.3 million as a result of this period's operations.
- Total cost of all of the District's programs increased $1.4 million or 5%. Most of the increase was related to interest on the voter approved building bonds.
- Governmental fund balances decreased $2.4 million as voter approved bond projects are underway.
- General Fund expenditures for the fiscal period were $353 thousand less than the final budget.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the district's assets and liabilities. All of the current period's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position—the difference between the District's assets and liabilities is one way to measure the District's financial health or position.

- Viewed over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base.

The government-wide financial statements of the District include the Governmental activities. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services and general administration. Property taxes and grants finance most of these activities.

Fund Financial Statements

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

- Some funds are required by State law and by bond covenants.

- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has the following kinds of funds:

- *Governmental funds*—All of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* can readily be converted to cash flow in and out and (2) the balances left at period-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

- *Internal Service funds*—Workers compensation is charged to all funds of the District based on payroll and recorded in an internal service fund. This simplifies the recording for the District by having only one fund to account for the actual costs of the modified self-insurance program.

- *Fiduciary fund*—Student activity funds are held by the District for the benefit of the various student groups. The custodial fund segregates those funds from the rest of the District's operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position

The District's net position was $13.3 million at August 31, 2025 (See Table A-1). Of this amount, $10.0 million is invested in capital assets net of related debt, $2.3 million is restricted for grants or debt service and $1.0 million is unrestricted for any lawful purpose of the District.

Table A-1
Poteet Independent School District's Net Position

	Governmental Activities 8/31/25	Governmental Activities 8/31/24	Percentage Change
Assets:			
Cash	$ 46,300,877	$ 48,250,294	-4.0%
Other Current Assets	5,622,878	4,570,118	23.0%
Property and Equipment (net)	32,753,239	30,177,318	8.5%
Total Assets	84,676,994	82,997,730	2.0%
Deferred Outflows	6,763,566	7,991,730	-15.4%
Liabilities			
Current Liabilities	4,937,946	3,278,033	50.6%
Long-term Liabilities	65,931,615	66,765,209	-1.2%
Total Liabilities	70,869,561	70,043,242	1.2%
Deferred Inflows	7,327,779	8,514,888	-13.9%
Net Position:			
Net Investment in Capital Assets	9,978,701	8,288,458	20.4%
Restricted	2,258,435	2,082,709	8.4%
Unrestricted	1,006,084	2,060,163	-51.2%
Total Net Position	$ 13,243,220	$ 12,431,330	6.5%

Changes in Net Position

The District's total revenues were $31.4 million, an increase of 12%. Most of this revenue, $19.7 million or 70% comes from state, federal and local grants. General grants consists of primarily the Foundation School Program which is based on enrollment and attendance. Increases in student enrollment led to increases in this allotment. In addition, the District received interest income on the bond proceeds.

The total cost of all programs and services was $29.0 million; instruction and instruction related service costs were $13.0 million or 45%. Total costs increased 5% and were primarily related to interest on the new bonds.

Table A-2 presents the cost of each of the District's functions with a comparison to the prior period.

Table A-2
Changes in Poteet Independent School District's Net Position

	Governmental Activities 2025	Governmental Activities 2024	Percentage Change
Program Revenues:			
Charges for Services	$ 1,006,260	$ 249,067	304.0%
Operating Grants & Contributions	4,230,745	5,102,362	-17.1%
General Revenues:			
Property Taxes	8,207,534	7,341,101	11.8%
General Grants	15,451,706	14,447,918	6.9%
Investment Earnings	2,135,295	792,592	169.4%
Miscellaneous	366,067	122,622	198.5%
Total Revenues	31,397,607	28,055,662	11.9%
Expenses:			
Instruction	12,306,326	12,766,134	-3.6%
Instructional Resources & Media	129,358	145,484	-11.1%
Curriculum & Staff Development	576,481	528,731	9.0%
Instructional Leadership	510,586	405,280	26.0%
School Leadership	1,388,122	1,314,543	5.6%
Guidance, Counseling, Evaluation	1,558,722	991,381	57.2%
Social Work Services	54,979	50,938	7.9%
Health Services	264,622	268,819	-1.6%
Student Transportation	879,457	916,508	-4.0%
Food Service	1,468,390	1,516,618	-3.2%
Extracurricular Activities	1,456,391	1,398,574	4.1%
General Administration	879,201	952,844	-7.7%
Plant Maintenance & Operations	3,827,424	3,653,939	4.7%
Security Services	488,804	584,636	-16.4%
Data Processing Services	589,211	588,476	0.1%
Community Services	35,307	46,153	-23.5%
Interest on Long-Term Debt	1,911,242	628,773	204.0%
Bond Issuance Costs and Fees	4,350	323,557	-98.7%
Facilities Acquisition	158,675	-	100.0%
Payments for SSA	359,550	350,000	2.7%
Payments for JJAEP	31,077	22,267	39.6%
Other Intergovernmental Charges	195,767	175,377	11.6%
Total Expenses	29,074,042	27,629,032	5.2%
Increase (Decrease) in Net Position	2,323,565	426,630	444.6%
Beginning Net Position	12,431,330	12,004,700	
Prior Period Adjustment	(1,511,675)	-	
Ending Net Position	$ 13,243,220	$ 12,431,330	

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled $32.4 million, an increase of $3.7 million from the prior year. Interest on the bond proceeds and the first full year of the special education cooperative made up most of the increase. Total governmental fund expenditures increased $4.1 million to $34.6 million. Spending on voter approved bond projects made up $3.5 million of the increase.

BUDGETARY HIGHLIGHTS

The General Fund's expenditures were $353 thousand less than the final budgeted expenditures. Combined with revenues, the General Fund balance increased $414 thousand compared to a budgeted decrease of $1.3 million. State funding (which is based on enrollment and attendance) was stronger than the budget anticipated.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At August 31, 2025, the District had invested $63.3 million in a broad range of capital assets, including land, equipment, vehicles and buildings (See Table A-3). The most significant change in capital assets during 2025 was completion of the new agriculture barn, cosmetology renovations and the beginnings of the voter approved bond improvements.

Table A-3

Changes in Poteet Independent School District's Capital Assets

	Beginning Balance	Additions	Disposals	Ending Balance
Land	$ 1,637,817	$ -	$ -	$ 1,637,817
Construction in Progress	2,038,894	4,364,493	(2,589,898)	3,813,489
Buildings and Improvements	51,210,078	-	2,589,898	53,799,976
Vehicles	3,018,176	6,995	-	3,025,171
Equipment	701,630	276,899	-	978,529
Less: Accumulated Depreciation	(28,429,277)	(2,072,466)	-	(30,501,743)
Total Capital Assets	$ 30,177,318	$ 2,575,921	$ -	$ 32,753,239

Long Term Debt

In 2024, voters approved $65 million in bonds for facility improvements. The first group of bonds were issued in 2024 consuming $35 million of the authorized amounts. The remaining portion is estimated to be issued in the 2026-2027 fiscal year. At year-end the District had $51 million in outstanding bonds, warrants and notes payable. More detailed information about the District's debt is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT PERIOD'S BUDGETS AND TAX RATES

The District's 2025-2026 budget projects General Fund expenditures will remain largely unchanged with an increase of around 1%. The District's property tax rate will remain $1.212400. No significant changes in programs are expected other than the continued bond construction.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, we invite you to contact the District's Finance Office, 1100 School Drive, Poteet, TX 78065.

BASIC FINANCIAL STATEMENTS

EXHIBIT A-1

POTEET INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2025

Data Control Codes		1 Governmental Activities
	ASSETS:	
1110	Cash and Cash Equivalents	$ 46,300,877
1225	Property Taxes Receivable (Net)	1,585,194
1240	Due from Other Governments	3,895,221
1290	Other Receivables	8,557
1410	Prepaid Expenses	133,906
	Capital Assets:	
1510	Land	1,637,817
1520	Buildings and Improvements, Net	25,395,362
1531	Vehicles, Net	1,424,651
1539	Furniture and Equipment, Net	481,920
1580	Construction in Progress	3,813,489
1000	***TOTAL ASSETS:***	84,676,994
	DEFERRED OUTFLOW OF RESOURCES:	
	Deferred Pension Related Outflows	2,433,489
	Deferred OPEB Related Outflows	4,330,077
1700	***TOTAL DEFERRED OUTFLOWS:***	6,763,566
	LIABILITIES:	
2110	Accounts Payable	1,329,949
2140	Interest Payable	96,683
2160	Accrued Wages	1,346,952
2180	Due to Other Governments	542,851
	Noncurrent Liabilities:	
2501	Due Within One Year	1,621,511
2502	Due in More Than One Year	54,050,619
2540	Net Pension Liability	6,673,958
2545	Net OPEB Liability	5,207,038
2000	***TOTAL LIABILITIES:***	70,869,561
	DEFERRED INFLOW OF RESOURCES:	
	Deferred Gain on Refunding	1,231,195
	Deferred Pension Related Inflows	640,741
	Deferred OPEB Related Inflows	5,455,843
2600	***TOTAL DEFERRED INFLOWS:***	7,327,779
	NET POSITION:	
3200	Net Investment in Capital Assets	9,978,701
	Restricted For:	
3850	Debt Service	1,496,618
3820	State and Federal Grant Restrictions	694,103
3890	Other Restrictions	67,714
3900	Unrestricted	1,006,084
3000	***TOTAL NET POSITION:***	$ 13,243,220

The accompanying notes are an integral part of this statement

EXHIBIT B-1

POTEET INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2025

		1	3	4	6
			Program Revenues		Net Revenue (Expense) and Changes in Net Position
Data Control Codes	Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
	GOVERNMENTAL ACTIVITIES:				
11	Instruction	$ 12,306,326	$ 864,557	$ 1,066,614	$ (10,375,155)
12	Instructional Resources and Media Services	129,358	-	-	(129,358)
13	Curriculum and Staff Development	576,481	-	373,246	(203,235)
21	Instructional Leadership	510,586	-	-	(510,586)
23	School Leadership	1,388,122	-	28,879	(1,359,243)
31	Guidance, Counseling, & Evaluation Services	1,558,722	-	457,325	(1,101,397)
32	Social Work Services	54,979	-	-	(54,979)
33	Health Services	264,622	-	126,806	(137,816)
34	Student Transportation	879,457	-	5,482	(873,975)
35	Food Services	1,468,390	70,330	1,640,631	242,571
36	Cocurricular/Extracurricular Activities	1,456,391	71,373	83,543	(1,301,475)
41	General Administration	879,201	-	10,537	(868,664)
51	Plant Maintenance and Operations	3,827,424	-	4,700	(3,822,724)
52	Security and Monitoring Services	488,804	-	28,815	(459,989)
53	Data Processing Services	589,211	-	-	(589,211)
61	Community Services	35,307	-	8,380	(26,927)
72	Interest on Long-Term Debt	1,911,242	-	395,787	(1,515,455)
73	Bond Issuance Costs and Fees	4,350	-	-	(4,350)
81	Facilities Acquisition	158,675	-	-	(158,675)
93	Payments to Fiscal Agent of SSA	359,550	-	-	(359,550)
95	Payments to Juvenile Justice Programs	31,077	-	-	(31,077)
99	Other Intergovernmental Charges	195,767	-	-	(195,767)
TG	Total Governmental Activities	29,074,042	1,006,260	4,230,745	(23,837,037)
TP	*Total Primary Government*	$ 29,074,042	$ 1,006,260	$ 4,230,745	(23,837,037)

	General Revenues:	
MT	Property Taxes, Levied for General Purposes	5,074,595
DT	Property Taxes, Levied for Debt Service	3,132,939
IE	Investment Earnings	2,135,295
GC	Grants and Contributions Not Restricted to Specific Programs	15,451,706
MI	Miscellaneous	366,067
TR	Total General Revenues	26,160,602
CN	Change in Net Position	2,323,565
NB	Net Position - Beginning	12,431,330
PA	Period Period Adjustment - Change in Accounting Principle	(1,511,675)
NE	Net Position - Ending	$ 13,243,220

The accompanying notes are an integral part of this statement

POTEET INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
AUGUST 31, 2025

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	Special Education Cooperative	Other Nonmajor Governmental Funds	98 Total Governmental Funds
	ASSETS						
1110	Cash and Cash Equivalents	$ 9,810,428	$ 1,094,306	$ 33,484,200	$ 985,377	$ 755,544	$ 46,129,855
1225	Taxes Receivable, Net	1,093,228	491,966	-	-	-	1,585,194
1240	Due from Other Governments	3,636,693	4,949	-	-	253,579	3,895,221
1260	Due from Other Funds	589,136	23,307	-	-	-	612,443
1410	Prepaid Items	133,906	-	-	-	-	133,906
1000	***TOTAL ASSETS:***	$ 15,263,391	$ 1,614,528	$ 33,484,200	$ 985,377	$ 1,009,123	$ 52,356,619
	LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:						
	LIABILITIES:						
2110	Accounts Payable	$ 50,133	$ -	$ 969,458	$ -	$ 4,513	$ 1,024,104
2160	Accrued Wages Payable	1,157,834	-	-	64,286	124,830	1,346,950
2170	Due to Other Funds	233,307	-	-	399,467	117,963	750,737
2180	Due to Other Governments	-	21,227	-	521,624	-	542,851
2000	*TOTAL LIABILITIES:*	1,441,274	21,227	969,458	985,377	247,306	3,664,642
	DEFERRED INFLOWS OF RESOURCES:						
2600	Unavailable Property Tax Revenue	1,093,228	491,966	-	-	-	1,585,194
2600	*TOTAL DEFERRED INFLOWS:*	1,093,228	491,966	-	-	-	1,585,194
	FUND BALANCES:						
	Nonspendable:						
3430	Prepaid Items	133,906	-	-	-	-	133,906
	Restricted for:						
3450	State and Federal Restrictions	-	-	-	-	694,103	694,103
3470	Capital Acquisition	-	-	32,514,742	-	-	32,514,742
3480	Debt Service	-	1,101,335	-	-	-	1,101,335
3490	Other Restrictions	-	-	-	-	67,714	67,714
3600	*Unassigned*	12,594,983	-	-	-	-	12,594,983
3000	*TOTAL FUND BALANCES:*	12,728,889	1,101,335	32,514,742	-	761,817	47,106,783
4000	***TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES***	$ 15,263,391	$ 1,614,528	$ 33,484,200	$ 985,377	$ 1,009,123	$ 52,356,619

The accompanying notes are an integral part of this statement.

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

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS		$ 47,106,783
Amounts reported for governmental activities in the Statement of Net Position ("SNP") are different because:		
Capital Assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		32,753,239
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds.		1,585,194
Internal service funds are used by management to charge costs related to employee health and workers compensation claims. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.		12,029
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and therefore, not reported in the funds.		(55,672,133)
Gains on the refunding of bonds are amortized over the shorter of the life of the new bonds or refunded bonds.		(1,231,195)
Net pension liabilities (and related deferred inflows and outflows of resources) do not consume current financial resources and are not reported in the funds.		
Net Pension Liability	(6,673,958)	
Pension Related Deferred Inflows	(640,741)	
Pension Related Deferred Outflows	2,433,489	
Net OPEB Liability	(5,207,038)	
OPEB Related Deferred Inflows	(5,455,843)	
OPEB Related Deferred Outflows	4,330,077	(11,214,014)
Accrued interest payable on long-term bonds is not due and payable in the current period, and therefore, not reported in the funds.		(96,683)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		$ 13,243,220

The accompanying notes are an integral part of this statement.

EXHIBIT C-2

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

Data Control Codes	Functions/Programs	10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	Special Education Cooperative	Other Nonmajor Governmental Funds	98 Total Governmental Funds
	REVENUES:						
5700	Local and Intermediate Sources	$ 6,008,826	$ 3,051,402	$ 1,573,870	$ 867,405	$ 153,873	$ 11,655,376
5800	State Program Revenues	16,541,300	395,787	-	-	167,578	17,104,665
5900	Federal Program Revenues	185,861	-	-	-	3,454,182	3,640,043
5020	*Total Revenues*	22,735,987	3,447,189	1,573,870	867,405	3,775,633	32,400,084
	EXPENDITURES:						
0011	Instruction	11,490,427	-	-	468,516	1,063,765	13,022,708
0012	Instructional Resources and Media Services	135,851	-	-	-	-	135,851
0013	Curriculum and Staff Development	282,279	-	-	-	373,246	655,525
0021	Instructional Leadership	379,188	-	-	159,206	-	538,394
0023	School Leadership	1,458,549	-	-	-	28,879	1,487,428
0031	Guidance, Counseling, & Evaluation Services	976,154	-	-	220,241	457,325	1,653,720
0032	Social Work	58,004	-	-	-	-	58,004
0033	Health Services	276,088	-	-	-	-	276,088
0034	Student Transportation	723,327	-	-	-	5,482	728,809
0035	Food Service	-	-	-	-	1,782,720	1,782,720
0036	Cocurricular/Extracurricular Activities	1,083,094	-	-	-	77,088	1,160,182
0041	General Administration	900,183	-	-	10,077	10,537	920,797
0051	Plant Maintenance and Operations	2,382,589	-	61,079	9,365	78,486	2,531,519
0052	Security and Monitoring Services	439,932	-	-	-	28,815	468,747
0053	Data Processing Services	583,419	-	-	-	-	583,419
0061	Community Services	28,328	-	-	-	8,380	36,708
0071	Principal on Long-Term Debt	284,000	900,000	-	-	-	1,184,000
0072	Interest on Long-Term Debt	10,101	2,313,168	-	-	-	2,323,269
0073	Bond Issuance Costs and Fees	-	1,851	2,500	-	-	4,351
0081	Facilities Acquisition	23,778	-	4,441,019	-	-	4,464,797
0093	Payments for Shared Service Arrangements	359,550	-	-	-	-	359,550
0095	Payments to Juvenile Justice Programs	31,077	-	-	-	-	31,077
0099	Other Intergovernmental Charges	195,767	-	-	-	-	195,767
6030	*Total Expenditures*	22,101,685	3,215,019	4,504,598	867,405	3,914,723	34,603,430
1100	**Excess (Deficiency) of Revenues Over (Under) Expenditures**	634,302	232,170	(2,930,728)	-	(139,090)	(2,203,346)
	Other Financing Sources and (Uses)						
8911	Transfer Out	(220,000)	-	-	-	-	(220,000)
7080	*Total Other Financing Sources and (Uses)*	(220,000)	-	-	-	-	(220,000)
1200	Net Change in Fund Balances	414,302	232,170	(2,930,728)	-	(139,090)	(2,423,346)
0100	Fund Balances - Beginning	12,314,587	869,165	35,445,470	-	900,907	49,530,129
3000	Fund Balances - Ending	$ 12,728,889	$ 1,101,335	$ 32,514,742	$ -	$ 761,817	$ 47,106,783

The accompanying notes are an integral part of this statement.

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

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		$ (2,423,346)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlay 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.		
Capital Outlay	$ 4,648,387	
Depreciation	(2,072,466)	2,575,921
Internal service funds are used by management to charge the costs of employee benefits to individual funds. The net revenue/expense is reported with governmental activities.		157,001
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds. This is the net change in those revenues over the year.		146,181
The issuance of long-term debt (e.g. bonds & notes payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Principal Payments on Long-term Debt	1,184,000	1,184,000
Governmental funds report required contributions to employee pensions and other post-employment benefits as expenditures. However in the Statement of Activities the cost of the benefits is recorded based on the actuarially determined cost of the plan. This is the amount that contributions exceeded the the actuarially determined expense.		
Pension	(331,035)	
Retiree Insurance (OPEB)	705,189	374,154
Some expenses reported in the Statement of Activities (including accreted and accrued interest expense) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. Governmental funds report the net effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.		
Change in Accrued Interest	1,108	
Amortization of Gain on Debt Refunding	133,902	
Change in Compensated Absences Accrual	(102,372)	
Amortization of Bond Premiums	277,016	309,654
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES		$ 2,323,565

The accompanying notes are an integral part of this statement.

POTEET INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION – INTERNAL SERVICE FUNDS
AUGUST 31, 2025

Data Control Codes		Internal Service Funds
	ASSETS:	
	Current Assets:	
1110	Cash and Cash Equivalents	$ 171,021
1260	Due from Other Funds	210,000
1290	Other Receivables	8,558
1000	*Total Assets*	389,579
	LIABILITIES:	
	Current Liabilities	
2110	Accounts Payable	305,844
2170	Due to Other Funds	71,706
2000	*Total Liabilities*	377,550
	NET POSITION:	
3900	Unrestricted Net Position	12,029
3000	*Total Net Position*	$ 12,029

The accompanying notes are an integral part of this statement.

EXHIBIT D-2

POTEET INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes		Internal Service Fund
	OPERATING REVENUES:	
5700	Local and Intermediate Sources	$ 1,569,053
5020	*Total Revenues*	1,569,053
	OPERATING EXPENSES:	
6400	Other Operating Costs	1,632,052
6030	*Total Expenses*	1,632,052
1100	Operating Net Income	(62,999)
7915	Transfers In	220,000
1300	Change in Net Position	157,001
0100	Total Net Position - Beginning	(144,972)
3900	Total Net Position - Ending	$ 12,029

The accompanying notes are an integral part of this statement.

POTEET INDEPENDENT SCHOOL DISTRICT

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POTEET INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2025

	Internal Service Fund
Cash Flows from Operating Activities:	
Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds	$ 1,569,053
Cash Payments to Suppliers for Goods and Services	(1,558,919)
Net Cash Provided (Used) by Operating Activities	10,134
Cash Flows from Noncapital Financing Activities:	
Cash Receipts (Payments) for Quasi-external Repayment of Interfund Balances	126,169
Net Cash Provided (Used) by Noncapital Financing Activities	126,169
Net Increase (Decrease) in Cash and Cash Equivalents	136,303
Cash and Cash Equivalents at Beginning of Year	34,718
Cash and Cash Equivalents at End of Year	$ 171,021
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	$ (62,999)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Change in Assets and Liabilities:	
Decrease (Increase) in Other Receivables	185,357
Increase (Decrease) in Accounts Payable	(112,224)
Total Adjustments	73,133
Net Cash Provided (Used) by Operating Activities	$ 10,134

The accompanying notes are an integral part of this statement.

POTEET INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
CUSTODIAL FUND
AUGUST 31, 2025

	Custodial Fund Student Activity Fund
ASSETS:	
Cash and Cash Equivalents	$ 144,096
Total Assets	144,096
LIABILITIES:	
Current Liabilities	
Accounts Payable	$ -
Total Liabilities	-
NET POSITION:	
Total Net Position	$ 144,096

The accompanying notes are an integral part of this statement.

EXHIBIT E-2

POTEET INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUND
FOR THE YEAR ENDED AUGUST 31, 2025

	Custodial Fund
	Student Activity Fund
ADDITIONS:	
Local Enterprising Revenues and Donations	$ 232,182
Total Additions	232,182
DEDUCTIONS:	
Operating Costs	220,747
Total Deductions	220,747
Change in Net Position	11,435
Total Net Position - Beginning	132,661
Total Net Position - Ending	$ 144,096

The accompanying notes are an integral part of this statement.

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

A. Summary of Significant Accounting Policies (Continued)

2. Basis of Presentation, Basis of Accounting (Continued)

a. Basis of Presentation (Continued)

The District reports the following major governmental funds:

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

Debt Service Fund: Is used to account for all funds collected and disbursed for the retirement of governmental debt.

Capital Projects Fund: Is used to account for all debt proceeds and savings towards construction of real property improvements.

Special Education Cooperative Fund: Is used to account for all payments from participating districts for the special education program led by the cooperative.

b. Measurement Focus, Basis of Accounting

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

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

A. Summary of Significant Accounting Policies (Continued)

3. Financial Statement Amounts

a. Cash and Cash Equivalents

Highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased. For the District, this includes local government investment pools and money market funds.

b. Investments

The District reports investments at fair value based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District's investments in Pools are reported at an amount determined by the net asset value per share of the pool's underlying portfolio, unless the pool maintains a consistent net asset value per share that approximates the fair value of the underlying securities. These investments are reported at net asset value.

c. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the period following the period in which imposed. On January 1 of each period, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. Allowances for uncollectible tax receivables are recorded in the amount of $121,470 and $54,663 for the General and Debt Service Funds, respectively.

d. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

A. Summary of Significant Accounting Policies (Continued)

3. Financial Statement Amounts (Continued)

e. Receivable and Payable Balances

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

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

f. Deferred Inflows and Outflows of Resources

A deferred outflow of resources is a consumption of net position by the government that is applicable to a future reporting period while a deferred inflow of resources is an acquisition of net position. These items are presented in separate sections following assets (deferred outflows) or liabilities (deferred inflows) on the statement of net position.

g. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of $5,000 is used.

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

Asset Class	Estimated Useful Lives
Buildings and Improvements	10-30
Equipment and Vehicles	3-10

h. Interfund Activity

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

A. Summary of Significant Accounting Policies (Continued)

3. Financial Statement Amounts (Continued)

i. Pensions

The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teacher Retirement System of Texas (TRS) and additions to/ deductions from TRS's fiduciary net position have been determined on the same basis as they are reported by TRS. For this purpose, 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.

j. Other Post-Employment Benefits

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 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'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.

k. Compensated Absences

Employees of the District accrue personal days that can be utilized as time off. The District estimates the amount of these personal days that are more likely than not to result in time off in the future and records a liability on the government-wide financial statements. The District estimates the flows of the time off based on the first in and first out method.

l. Net Position - Government-wide Statement of Net Position

Net position is classified as follows:

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

Net Investment in Capital Assets - represents the balances of capital assets less the outstanding balances of debt related to the acquisition of the capital assets. This amount is separated from unrestricted net position so that the unrestricted classification represents net position more readily available to fund operations.

Unrestricted - Represents the residual net position that is not restricted or capital in nature.

A. Summary of Significant Accounting Policies (Continued)

3. Financial Statement Amounts (Continued)

m. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

A. Summary of Significant Accounting Policies (Continued)

3. Financial Statement Amounts (Continued)

n. Use of Estimates

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

o. Data Control Codes

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

B. Deposits and Investments

1. Cash Deposits:

The District's funds are required to be deposited and invested under the terms of a depository contract. The District's cash deposits at August 31, 2025 and during the period ended August 31, 2025, were entirely covered by FDIC insurance and securities pledged by the District's depository.

2. Investments:

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

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

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

B. Deposits and Investments (Continued)

The District's investments at August 31, 2025 are as follows:

Investment or Investment Type	Maturity (Days)	Rating	Reported Value
Reported as Cash Equivalents			
Texpool	Demand	AAAm	$ 33,262,639
Government Money Market	Demand	N/A	12,699,811
Total Investments			$ 45,962,450

Texpool is reported at net asset value and the money market is amortized cost. Both are highly liquid and included with cash and cash equivalents.

The District was not exposed to significant credit, custodial credit, concentration of credit, interest rate or foreign currency risk.

C. Capital Assets

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

	Beginning Balances	Increases	Decreases/ Transfers	Ending Balances
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	$ 1,637,817	$ -	$ -	$ 1,637,817
Construction in Progress	2,038,894	4,364,493	(2,589,898)	3,813,489
Total Capital Assets Not Being Depreciated	3,676,711	4,364,493	(2,589,898)	5,451,306
Capital Assets Being Depreciated:				
Buildings and Improvements	51,210,078	-	2,589,898	53,799,976
Vehicles	3,018,176	6,995	-	3,025,171
Equipment	701,630	276,899	-	978,529
Total Capital Assets Being Depreciated	54,929,884	283,894	2,589,898	57,803,676
Less Accumulated Depreciation For:				
Buildings and Improvements	(26,674,675)	(1,729,939)	-	(28,404,614)
Vehicles	(1,355,435)	(245,085)	-	(1,600,520)
Equipment	(399,167)	(97,442)	-	(496,609)
Total Accumulated Depreciation	(28,429,277)	(2,072,466)	-	(30,501,743)
Total Capital Assets Being Depreciated, Net	26,500,607	(1,788,572)	2,589,898	27,301,933
Governmental Activities Capital Assets, Net	$ 30,177,318	$ 2,575,921	$ -	$ 32,753,239

C. Capital Assets (Continued)

Depreciation was charged to functions as follows:

11 Instruction	$	26,298
33 Health Services		2,860
34 Student Transportation		192,165
35 Food Services		51,688
36 Cocurricular/Extracurricular Activities		327,371
51 Plant Maintenance and Operations		1,415,641
52 Security and Monitoring		39,430
53 Data Processing		17,013
	$	2,072,466

D. Interfund Balances and Activities

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

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Nonmajor Governmental Funds	$ 117,963	Short-term pooled cash loans
General Fund	Special Education Cooperative	399,467	Return of excess funding
Internal Service Funds	General Fund	210,000	Pending claim charges
General Fund	Internal Service Funds	71,706	Return of excess funding
Debt Service Fund	General Fund	23,307	Tax collections onbehalf of
	Total	$ 822,443	

Transfers during the year ended August 31, 2025 were as follows:

Transfer From	Transfer To	Amount	Purpose
General Fund	Internal Service Funds	$ 220,000	Supplement other sources
	Total	$ 220,000	

E. Long-Term Obligations

Long-term obligations include building, refunding and maintenance bonds. Changes in long-term obligations for the period ended August 31, 2025, are as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Amounts Due Within One Year
Governmental Activities:					
Public Offering					
2015 Refunding	$ 545,000	$ -	$ (270,000)	$ 275,000	$ 275,000
2016 Refunding	2,675,000	-	-	2,675,000	-
2022 Refunding	14,555,000	-	(530,000)	14,025,000	555,000
2024 Building	33,480,000	-	(100,000)	33,380,000	100,000
Unamortized Premiums	3,487,102	-	(277,016)	3,210,086	-
Private Placement					
2022 Time Warrants	608,000	-	(200,000)	408,000	203,000
2019 Maintenance Tax Notes	169,000	-	(84,000)	85,000	85,000
Total Bonds	55,519,102	-	(1,461,016)	54,058,086	$ 1,218,000
Net Pension Liability	8,303,407	1,006,437	(2,635,886)	6,673,958	-
Net OPEB Liability	4,126,700	1,236,178	(155,840)	5,207,038	-
Compensated Absences	1,511,675	102,369	-	1,614,044	403,511
Total Governmental Activities	$ 69,460,884	$ 2,344,984	$ (4,252,742)	$ 67,553,126	$ 1,621,511

Unlimited Tax School Refunding Bonds have interest rates of 2-5%
Unlimited Tax School Building Bonds have interest rates of 4-5%
Time Warrants have an interest rate of 1.29%
Maintenance Tax Notes have an interest rate of 2.15%

In accordance with Securities and Exchange Act of 1934 Rule 15c2-12, the District has entered into a continuing disclosure agreement with the Municipal Securities Rulemaking Board. The District has complied with these continuing disclosures.

In 2024, voters approved $65 million in bonds for construction projects. The 2024 bonds utilized $35 million of this authorized amount, leaving $30 million authorized and unissued.

The changes in compensated absences are presented net.

E. Long-Term Obligations (Continued)

The District's private placement obligations have no subjective acceleration clauses or termination events. Debt Service requirements on bonded debt at August 31, 2025, are as follows:

Public Offering

Year Ending August 31,	Principal	Interest	Total
2026	$ 930,000	$ 2,302,725	$ 3,232,725
2027	955,000	2,260,350	3,215,350
2028	1,065,000	2,212,600	3,277,600
2029	1,260,000	2,159,850	3,419,850
2030	1,340,000	2,101,800	3,441,800
2031-2035	8,045,000	9,472,250	17,517,250
2036-2040	10,250,000	7,423,250	17,673,250
2041-2045	9,130,000	5,024,550	14,154,550
2046-2050	8,815,000	2,981,250	11,796,250
2051-2054	8,565,000	873,400	9,438,400
Totals	$ 50,355,000	$ 36,812,025	$ 87,167,025

Private Placement

Year Ending August 31,	Principal	Interest	Total
2026	$ 288,000	$ 5,781	$ 293,781
2027	205,000	1,322	206,322
Totals	$ 493,000	$ 7,103	$ 500,103

F. Pension Plan

1. Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). 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 work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

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 http://www.trs.texas.tx.us/pages/about_publications.aspx or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

F. Pension Plan (Continued)

2. Benefits Provided

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

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

3. 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 Years Ending August 31,		Contributions Required and
	2024	2025	Made
Member (Employee)	8.25%	8.25%	$ 1,357,142
Non-employer Contributing Entity (State)	8.25%	8.25%	1,143,949
Employer	8.25%	8.25%	674,419

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

F. Pension Plan (Continued)

4. Contributions

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

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

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

- 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.
- All public schools, charter schools, and regional educational service centers must contribute 2.0 percent of the member's salary.

5. Actuarial Assumptions

The total pension liability in the August 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2023, Rolled forward
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	3.87% Fidelity 20-Year AA
Last Year in Projection Period	2123
Inflation	2.30%
Salary Increases	2.95-8.95% including inflation
Ad-hoc post-employment benefit changes	none

F. Pension Plan (Continued)

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.

6. Discount Rate

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

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

F. Pension Plan (Continued)

6. 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 Allocation	Long-Term Expected Portfolio Real Rate of Return	Expected Contribution to Portfolio Return
Global Equity			
U.S.	18%	4.4%	1.00%
Non-U.S. Developed	13%	4.2%	0.80%
Emerging Markets	9%	5.2%	0.70%
Private Equity	14%	6.7%	1.20%
Stable Value			
Government Bonds	16%	1.9%	0.40%
Absolute Value	0%	4.0%	0.20%
Stable Value Hedge Funds	5%	3.0%	0.00%
Real Return			
Real Assets	15%	6.6%	1.20%
Energy and Natural Resources	6%	5.6%	0.40%
Commodities	0%	2.5%	0.00%
Risk Parity			
Risk Parity	8%	4.0%	0.40%
Leverage			
Cash	2%	1.0%	0.00%
Asset Allocation Leverage	-6%	1.3%	-0.10%
Inflation Expectation			2.40%
Volatility Drag			-0.70%
Total	100%		7.90%

F. Pension Plan (Continued)

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.00%) in measuring the Net Pension Liability.

	1% Decrease	Current Rate (7.00%)	1% Increase
District's Proportionate Share of Net Pension Liability	$ 10,660,002	$ 6,673,958	$ 3,371,237

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

At August 31, 2025, the District reported a liability of $6,673,958 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 Proportionate Share	$ 6,673,958
State's Proportionate Share	8,506,510
	$ 15,180,468

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 those same dates. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2023 thru August 31, 2024.

At August 31, 2024 the employer's proportion of the collective net pension liability was 0.0109258% which was a decrease of 0.0011623% from its proportion measured as of August 31, 2023.

The actuarial assumptions and methods are the same as used in the determination of the prior year's Net Pension Liability.

For the year ended August 31, 2025, the District recognized pension expense of $2,023,107, which included $1,016,670 in support provided by the State.

F. Pension Plan (Continued)

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 367,859	$ 52,107
Changes in actuarial assumptions	344,591	46,198
Difference between projected and actual investment earnings	40,569	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,006,051	542,436
Contributions paid to TRS subsequent to the measurement date	674,419	-
	$ 2,433,489	$ 640,741

The $674,419 in deferred outflows of resources related to pensions from District contributions after the measurement date will be recognized as a reduction of the net pension liability in the plan year ended August 31, 2025. The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending August 31,	Pension Expense Amount
2026	$ 45,122
2027	1,208,647
2028	118,383
2029	(292,182)
2030	38,359
Thereafter	-
	$ 1,118,329

G. Other Post-Employment Benefits – Retiree Health Care Plan

1. Plan Description

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established in accordance with the Texas Insurance Code, Chapter 1575. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

2. OPEB Plan Fiduciary Net Position

Detailed information about the TRS-Care's fiduciary net position is available in a separately-issued Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at http://www.trs.state.tx.us/pages/about_publications.aspx; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

3. Benefits Provided

TRS-Care provides health insurance coverage to retirees from public and charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee. Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high- deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS- Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. There are no automatic post-employment benefit changes; including automatic COLAs. The premium rates for retirees are reflected in the following table.

	TRS-Care Plan Premiums	
	Medicare	Non-medicare
Retiree (or Surviving Spouse)	$ 135	$ 200
Retiree and Spouse	529	689
Retiree and Children	468	408
Retiree and Family	1,020	999

G. Other Post-Employment Benefits – Retiree Health Care Plan (Continued)

4. Contributions

Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions made from the state, active employees, and school districts based upon public school district payroll. 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 .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than .25% or not more than .75% percent of the salary of each active employee of the public or charter school. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act.

The following table shows contributions to the TRS-Care plan by type of contributor.

	Contribution Rates Years Ending August 31,		Contributions Required and
	2024	2025	Made
Member (Employee)	0.65%	0.65%	$ 106,924
Non-employer Contributing Entity (State)	1.25%	1.25%	173,326
Employer	0.75-1.25%	0.75-1.25%	161,014

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

G. Other Post-Employment Benefits - Retiree Health Care Plan (Continued)

5. Actuarial Assumptions

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

Valuation Date	August 31, 2023, Rolled forward
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.87%
Aging Factors	Based on plan specific experience
Election Rates	62% prior to age 65
	25% after age 65
	30% of pre-65 retirees discontinue at 65
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims cost.
Salary Increases	2.95% to 8.95%, including inflation
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 developed in the experience study performed for TRS for the period ending August 31, 2021. The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2023 TRS pension actuarial valuation that was rolled forward to August 31, 2024:

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

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.

G. Other Post-Employment Benefits - Retiree Health Care Plan (Continued)

6. Discount Rate

A single discount rate of 3.87% was used to measure the total OPEB liability. There was a decrease of 0.26% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to *not be able to* make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used in measuring the Net OPEB Liability.

	Discount Rate		
	1% Decrease	3.87%	1% Increase
District's Proportionate Share Net OPEB Liability	$ 6,186,204	$ 5,207,038	$ 4,415,856

7. Healthcare Cost Trend Rate Sensitivity Analysis

The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% point lower or 1% point higher than the assumed healthcare cost trend rate.

	Health Care Cost Trend Rate		
	1% Decrease	Current	1% Increase
District's Proportionate Share of Net OPEB Liability	$ 4,240,359	$ 5,207,038	$ 6,466,716

G. Other Post-Employment Benefits - Retiree Health Care Plan (Continued)

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

At August 31, 2025, the District reported a liability of $5,207,038 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 Proportionate Share	$ 5,207,038
State's Proportionate Share	6,524,347
	$11,731,385

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

At August 31, 2024, the employer's proportion of the collective net OPEB liability was 0.0171558% which was a decrease of 0.0014848% from its proportion measured as of August 31, 2023.

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

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

For the year ended August 31, 2025, the District recognized OPEB expense of ($1,392,226), which included $848,045 in cost savings recognized by the State.

G. Other Post-Employment Benefits - Retiree Health Care Plan (Continued)

8. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 998,014	$ 2,598,594
Changes in actuarial assumptions	666,439	1,698,996
Difference between projected and actual investment earnings	-	14,582
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	2,504,610	1,143,671
Contributions paid to TRS subsequent to the measurement date	161,014	-
	$ 4,330,077	$ 5,455,843

The $161,014 in deferred outflows of resources related to OPEB from District contributions after the measurement date will be recognized as a reduction of the net OPEB liability in the plan year ended August 31, 2025. The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Year ending August 31,	OPEB Expense Amount
2026	$ (365,363)
2027	(250,770)
2028	(286,330)
2029	(235,041)
2030	(134,146)
Thereafter	(15,130)
	$ (1,286,780)

H. Medicare Part D Coverage

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2025, 2024 and 2023, the subsidy payments received by TRS-Care on behalf of the District were $106,653, $76,495 and $62,383, respectively.

I. Risk Management

1. Property and Liability Program

During the year ended August 31, 2025, the District participated in the following TASB Risk Management Fund (the Fund) programs:

Auto Liability
Auto Physical Damage
Privacy & Information Security
Property
School Liability

The Fund was created and is operated under the provision of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for its Auto, Liability and Property programs. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2025, the Fund anticipates that the District has no additional liability beyond the 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 year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2024, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

2. Employee Health Benefits

During the period ended August 31, 2025, the District provided employee health benefits through a modified self-funded program. The District (through a third-party administrator) pays all health claims up to a maximum stop-loss amount of $75,000 per employee. Actual incurred claims (including administrative fees and reinsurance) were as follows:

	Fiscal Year August 31,	
	2025	2024
Unpaid Claims, Beginning of Year	$ 369,144	$ -
Claims Incurred (Including IBNR)	1,571,384	1,497,599
Claim Payments	(1,634,684)	(1,128,455)
Unpaid Claims, End of Year	$ 305,844	$ 369,144

I. Risk Management (Continued)

3. Workers' Compensation

During the period ended August 31, 2025, the District met its statutory workers' compensation obligations through a modified self-funded program. The District (through a third-party administrator) pays all workers' compensation claims up to a maximum stop-loss amount. The stop-loss amount for the period ending August 31, 2025 was $42,712. Actual incurred claims (including management fees) for the last three years were as follows:

	Fiscal Year August 31,		
	2025	2024	2023
Unpaid Claims, Beginning of Year	$ 48,924	$ 46,179	$ 46,492
Claims Incurred (Including IBNR)	60,668	85,907	69,947
Claim Payments	(109,592)	(83,162)	(70,260)
Unpaid Claims, End of Year	$ -	$ 48,924	$ 46,179

J. Commitments and Contingencies

1. Contingencies

The District participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired.

2. Litigation

The District is subject to various claims through its normal course of business and employment practices. Management and legal counsel are not aware of any pending or threatened litigation against the District that would have a material financial impact on the District.

3. Commitments

The District is conducting voter approved campus improvements and has entered into contracts for architectural services and construction. The contracts as of August 31, 2025 had an estimated total of $14.7 million. Of this amount, $3.6 million had been incurred as of August 31, 2025, leaving an estimated commitment of $11.1 million.

K. Prior Period Adjustment – Change in Accounting Principle

As of September 1, 2024, the District implemented GASB Statement 101 related to compensated absences. This resulted in a beginning of the year liability for compensated absences of $1,511,675 which reduces the beginning governmental activities net position on the statement of activities.

L. Shared Services Arrangement

The District is the fiscal agent for a Shared Services Arrangement ("SSA") which provides for special education to member districts. In addition to the District, the other member districts include Jourdanton I.S.D, McMullen County I.S.D., Charlotte I.S.D., and Jourdanton I.S.D. All services are provided by the fiscal agent and each member district authorized TEA to send its funds to the fiscal agent directly. The member districts also provide local funds to the fiscal agent. The fiscal agent spends the funds in the SSA for the benefit of all member districts. The approximate share of the activities in the SSA are as follows:

Member District	Approximate Share
Poteet ISD	43.4%
Jourdanton ISD	40.4%
Charlotte ISD	11.1%
McMullen ISD	5.1%

POTEET INDEPENDENT SCHOOL DISTRICT

PA

REQUIRED SUPPLEMENTARY INFORMATION

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

EXHIBIT G-1

POTEET INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes		1 Budgeted Amounts Original	2 Budgeted Amounts Final	3 Actual	Variance with Final Budget
	REVENUES				
5700	Local and Intermediate Sources	$ 5,810,673	$ 5,799,997	$ 6,008,826	$ 208,829
5800	State Program Revenues	15,426,039	15,426,039	16,541,300	1,115,261
5900	Federal Program Revenues	318,001	118,001	185,861	67,860
5020	**Total Revenues**	21,554,713	21,344,037	22,735,987	1,391,950
	EXPENDITURES				
0011	Instruction	11,203,379	11,514,154	11,490,427	23,727
0012	Instructional Resources and Media Services	160,787	140,787	135,851	4,936
0013	Curriculum and Staff Development	261,882	284,382	282,279	2,103
0021	Instructional Leadership	386,243	386,243	379,188	7,055
0023	School Leadership	1,470,484	1,470,484	1,458,549	11,935
0031	Guidance, Counseling and Evaluation Services	922,943	977,943	976,154	1,789
0032	Social Work Services	55,339	58,339	58,004	335
0033	Health Services	266,760	276,760	276,088	672
0034	Student (Pupil) Transportation	665,662	745,662	723,327	22,335
0036	Cocurricular/Extracurricular Activities	991,328	1,090,628	1,083,094	7,534
0041	General Administration	984,609	959,609	900,183	59,426
0051	Plant Maintenance and Operations	2,295,201	2,402,201	2,382,589	19,612
0052	Security and Monitoring Services	440,176	450,176	439,932	10,244
0053	Data Processing Services	627,890	597,890	583,419	14,471
0061	Community Services	31,027	31,027	28,328	2,699
0071	Principal on Long-Term Debt	284,000	284,000	284,000	-
0072	Interest on Long-Term Debt	10,188	10,188	10,101	87
0081	Facilities Acquisition	10,000	25,000	23,778	1,222
0093	Payments for Shared Service Arrangements	467,627	517,627	359,550	158,077
0095	Payments for Juvenile Justice Programs	20,000	32,000	31,077	923
0099	Other Intergovernmental Charges	189,815	199,815	195,767	4,048
6030	**Total Expenditures**	21,745,340	22,454,915	22,101,685	353,230
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(190,627)	(1,110,878)	634,302	1,745,180
	OTHER FINANCING SOURCES (USES):				
8911	Transfers Out	-	(220,000)	(220,000)	-
7080	*Total Other Financing Sources (Uses)*	-	(220,000)	(220,000)	-
1200	Net Change in Fund Balance	(190,627)	(1,330,878)	414,302	1,745,180
0100	**Fund Balance - Beginning**	12,314,587	12,314,587	12,314,587	-
3000	**Fund Balance - Ending**	$ 12,123,960	$ 10,983,709	$ 12,728,889	$ 1,745,180

EXHIBIT G-2

POTEET INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AUGUST 31, 2025

Measurement Period Ending August 31,	District's Proportion of Net Pension Liability	District's Proportionate Share of the Net Pension Liability	State's Proportion of Net Pension Liability	Total Net Pension Liability	District's Covered Payroll for the Measurement Period	District's Proportionate Share of the Net Pension Liability as a % of Payroll	Plan Fiduciary Net Position As a % of Total Pension Liability
2024	0.0109258%	$ 6,673,958	$ 8,506,510	$ 15,180,468	$ 13,576,913	49.16%	77.51%
2023	0.0120882%	$ 8,303,407	$ 8,359,727	$ 16,663,134	$ 12,336,470	67.31%	73.15%
2022	0.0094310%	$ 5,598,967	$ 8,312,343	$ 13,911,310	$ 11,766,320	47.58%	75.62%
2021	0.0086167%	$ 2,194,372	$ 3,870,648	$ 6,065,020	$ 11,214,898	19.57%	88.79%
2020	0.0083082%	$ 4,449,721	$ 8,134,986	$ 12,584,707	$ 10,850,789	41.01%	75.54%
2019	0.0086061%	$ 4,473,722	$ 7,412,846	$ 11,886,568	$ 10,016,611	44.66%	75.24%
2018	0.0093838%	$ 5,165,096	$ 8,047,658	$ 13,212,754	$ 10,090,033	51.19%	73.74%
2017	0.0109173%	$ 3,490,780	$ 5,501,822	$ 8,992,602	$ 11,217,999	31.12%	82.17%
2016	0.0128697%	$ 4,863,257	$ 6,944,232	$ 11,807,489	$ 12,148,593	40.03%	78.00%
2015	0.0140514%	$ 4,966,983	$ 6,814,488	$ 11,781,471	$ 11,781,471	42.16%	78.43%

EXHIBIT G-3

POTEET INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS – TEACHER RETIREMENT SYSTEM
FOR THE YEAR ENDED AUGUST 31, 2025

Fiscal Year Ending August 31,	Contractually Required Contribution	Contributions Made	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percent Covered Payroll
2025	$ 674,419	$ 674,419	$ -	$ 16,450,206	4.10%
2024	$ 614,727	$ 614,727	$ -	$ 13,576,913	4.53%
2023	$ 621,385	$ 621,385	$ -	$ 12,336,470	5.04%
2022	$ 477,284	$ 477,284	$ -	$ 11,766,320	4.06%
2021	$ 367,621	$ 367,621	$ -	$ 11,214,898	3.28%
2020	$ 321,112	$ 321,112	$ -	$ 10,850,789	2.96%
2019	$ 299,470	$ 299,470	$ -	$ 10,016,611	2.99%
2018	$ 317,709	$ 317,709	$ -	$ 10,090,033	3.15%
2017	$ 357,807	$ 357,807	$ -	$ 11,217,999	3.19%
2016	$ 408,903	$ 408,903	$ -	$ 12,148,593	3.37%

EXHIBIT G-4

POTEET INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
AUGUST 31, 2025

Measurement Period Ending August 31,	District's Proportion Of Net OPEB Liability	District's Proportionate Share of the Net OPEB Liability	State's Proportion Of Net OPEB Liability	Total Net OPEB Liability	District's Covered Payroll for the Measurement Period	District's Proportionate Share of the Net OPEB Liability as a % of Payroll	Plan Fiduciary Net Position As a % of Total OPEB Liability
2024	0.0171558%	$ 5,207,038	$ 6,524,347	$ 11,731,385	$ 13,576,913	38.35%	13.70%
2023	0.0186405%	$ 4,126,700	$ 4,979,498	$ 9,106,198	$ 12,336,470	33.45%	14.94%
2022	0.0142955%	$ 3,422,922	$ 4,175,427	$ 7,598,349	$ 11,766,320	29.09%	11.52%
2021	0.0131557%	$ 5,074,747	$ 6,799,029	$ 11,873,776	$ 11,214,898	45.25%	6.18%
2020	0.0129478%	$ 4,922,027	$ 6,614,025	$ 11,536,052	$ 10,850,789	45.36%	4.99%
2019	0.0126365%	$ 5,975,945	$ 7,940,693	$ 13,916,638	$ 10,016,611	59.66%	2.66%
2018	0.0130724%	$ 6,527,178	$ 8,443,756	$ 14,970,934	$ 10,090,033	64.69%	1.57%
2017	0.0158399%	$ 6,888,194	$ 8,682,741	$ 15,570,935	$ 11,217,999	61.40%	0.91%

Note: Amounts are being accumulated until ten years are presented.

EXHIBIT G-5

POTEET INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS – TEACHER RETIREMENT SYSTEM
RETIREE INSURANCE
FOR THE YEAR ENDED AUGUST 31, 2025

Fiscal Year	Contractually Required Contribution	Contributions Made	Contribution Deficiency (Excess)	District's Covered Payroll	Contributions as a Percent Covered Payroll
2025	$ 161,014	$ 161,014	$ -	$ 16,450,206	0.98%
2024	$ 155,840	$ 155,840	$ -	$ 13,576,913	1.15%
2023	$ 161,692	$ 161,692	$ -	$ 12,336,470	1.31%
2022	$ 121,414	$ 121,414	$ -	$ 11,766,320	1.03%
2021	$ 102,774	$ 102,774	$ -	$ 11,214,898	0.92%
2020	$ 89,049	$ 89,049	$ -	$ 10,850,789	0.82%
2019	$ 88,609	$ 88,609	$ -	$ 10,016,611	0.88%
2018	$ 91,251	$ 91,251	$ -	$ 10,090,033	0.90%
2017	$ 82,346	$ 82,346	$ -	$ 11,217,999	0.73%
2016	$ 66,818	$ 66,818	$ -	$ 12,148,593	0.55%

Budgetary Information

The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The District maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Trustees and as such is a good management control device.

Budgetary preparation and control is exercised at the function level. Actual expenditures may not legally exceed appropriations at the fund level.

Pension Plan

The following actuarial assumptions were applied for the most recent valuation:

Valuation Date	August 31, 2023, Rolled forward
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	3.87% Fidelity 20-Year AA
Last Year in Projection Period	2123
Inflation	2.30%
Salary Increases	2.95-8.95% including inflation
Ad-hoc post-employment benefit changes	none

The following changes to the actuarial assumptions or other inputs affected the measurement of the pension liability during the years presented in the schedule:

2024	None
2023	None
2022	Municipal bond rate increased from 1.95% to 3.91% Expected investment return decreased from 7.25% to 7.00%
2021	Municipal bond rate reduced from 2.3% to 1.95%
2020	Municipal bond rate reduced from 2.6% to 2.3%
2019	Municipal bond rate reduced from 3.7% to 2.6%
2018	Inflation rate reduced from 2.5% to 2.3% Expected rate of return reduced from 8% to 7.25%
2017	None
2016	None

There have been no changes in benefit terms impacting the schedule.

Other Postemployment Benefit Plan (OPEB)

The following actuarial assumptions were applied for the most recent valuation:

Valuation Date	August 31, 2023, Rolled forward
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.87%
Aging Factors	Based on plan specific experience
Election Rates	62% prior to age 65 25% after age 65 30% of pre-65 retirees discontinue at 65
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims cost.
Salary Increases	2.95% to 8.95%, including inflation
Ad hoc post-employment benefit changes	None

The following changes to the actuarial assumptions or other inputs affected the measurement of the OPEB liability during the years presented in the schedule:

2024	Discount rate decreased from 4.13% to 3.87%
2023	Discount rate increased from 3.91% to 4.13%
2022	Discount rate increased from 1.95% to 3.91%
2021	Discount rate decreased from 2.33% to 1.95%
2020	Discount rate decreased from 2.63% to 2.33% Participation rate for post-65 retirees lowered from 50% to 40% Health care trend rate lowered from 4.5% to 4.25%
2019	Discount rate decreased from 3.69% to 2.63% Election rates reduced from 70% to 65%
2018	Inflation rate reduced from 2.5% to 2.3% Discount rate increased from 3.42% to 3.69% Salary increases reduced from 3.5-9.5% to 3.05%-9.05%

There have been no changes in benefit terms impacting the schedule.

SUPPLEMENTARY INFORMATION

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

EXHIBIT H-1

POTEET INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2025

Data Control Codes		Special Revenue Funds 211 Title I Part A	240 National School Lunch	206 Educating Homeless Youth	244 Carl Perkins	255 ESEA Title II Part A	263 Title III Part A
	ASSETS:						
1110	Cash and Cash Equivalents	$ -	$ 610,409	$ -	$ -	$ -	$ -
1240	Due from Other Governments	4,972	135,368	150	-	-	-
1000	*Total Assets*	$ 4,972	$ 745,777	$ 150	$ -	$ -	$ -
	LIABILITIES:						
2110	Accounts Payable	$ -	$ 4,513	$ -	$ -	$ -	$ -
2160	Accrued Wages Payable	-	47,161	-	-	-	-
2170	Due to Other Funds	4,972	-	150	-	-	-
2000	*Total Liabilities*	4,972	51,674	150	-	-	-
	FUND BALANCES:						
	Restricted Fund Balances:						
3450	State and Federal Programs	-	694,103	-	-	-	-
3490	Other Restrictions	-	-	-	-	-	-
3000	*Total Fund Balances*	-	694,103	-	-	-	-
4000	Total Liabilities and Fund Balance	$ 4,972	$ 745,777	$ 150	$ -	$ -	$ -

EXHIBIT H-1

POTEET INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
AUGUST 31, 2025

Data Control Codes		Special Revenue Funds 270 Title V Part B	279 TCLAS ESSER III	289 Summer School	313 IDEA-B Special Education	314 IDEA-B Preschool	315 IDEA-B High Cost
	ASSETS:						
1110	Cash and Cash Equivalents	$ -	$ -	$ -	$ 76,836	$ 585	$ -
1240	Due from Other Governments	5,495	-	1,997	248	-	-
1000	*Total Assets*	$ 5,495	$ -	$ 1,997	$ 77,084	$ 585	$ -
	LIABILITIES:						
2110	Accounts Payable	$ -	$ -	$ -	$ -	$ -	$ -
2160	Accrued Wages Payable	-	-	-	77,084	585	-
2170	Due to Other Funds	5,495	-	1,997	-	-	-
2000	*Total Liabilities*	5,495	-	1,997	77,084	585	-
	FUND BALANCES:						
	Restricted Fund Balances:						
3450	State and Federal Programs	-	-	-	-	-	-
3490	Other Restrictions	-	-	-	-	-	-
3000	*Total Fund Balances*	-	-	-	-	-	-
4000	Total Liabilities and Fund Balance	$ 5,495	$ -	$ 1,997	$ 77,084	$ 585	$ -

POTEET INDEPENDENT SCHOOL DISTRICT

PA

EXHIBIT H-1

POTEET INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
AUGUST 31, 2025

Data Control Codes		Special Revenue Funds 410 State Textbook	429 Other Grants	461 Campus Activity Funds	Total Nonmajor Funds
	ASSETS:				
1110	Cash and Cash Equivalents	$ -	$ -	$ 67,714	$ 755,544
1240	Due from Other Governments	105,349	-	-	253,579
1000	*Total Assets*	$ 105,349	$ -	$ 67,714	$ 1,009,123
	LIABILITIES:				
2110	Accounts Payable	$ -	$ -	$ -	$ 4,513
2160	Accrued Wages Payable	-	-	-	124,830
2170	Due to Other Funds	105,349	-	-	117,963
2000	*Total Liabilities*	105,349	-	-	247,306
	FUND BALANCES:				
	Restricted Fund Balances:				
3450	State and Federal Programs	-	-	-	694,103
3490	Other Restrictions	-	-	67,714	67,714
3000	*Total Fund Balances*	-	-	67,714	761,817
4000	Total Liabilities and Fund Balance	$ 105,349	$ -	$ 67,714	$ 1,009,123

EXHIBIT H-2

POTEET INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes		Special Revenue Funds 211 Title I Part A	240 National School Lunch	206 Educating Homeless Youth	244 Carl Perkins	255 ESEA Title II Part A	263 Title III Part A
	REVENUES						
5700	Local and Intermediate Sources	$ -	$ 70,330	$ -	$ -	$ -	$ -
5800	State Program Revenues	-	6,116	-	-	-	-
5900	Federal Program Revenues	637,659	1,634,515	2,822	31,766	95,629	3,368
5020	**Total Revenues**	637,659	1,710,961	2,822	31,766	95,629	3,368
	EXPENDITURES						
	Current:						
0011	Instruction	238,791	-	2,822	31,766	85,365	3,368
0013	Curriculum Development	362,339	-	-	-	9,123	-
0023	School Leadership	23,808	-	-	-	-	-
0031	Guidance and Counseling	-	-	-	-	-	-
0034	Student Transportation	5,482	-	-	-	-	-
0035	Food Service	-	1,782,720	-	-	-	-
0036	Extracurricular Activities	-	-	-	-	-	-
0041	General Administration	-	-	-	-	-	-
0051	Plant Maintenance	-	73,786	-	-	-	-
0052	Security and Monitoring	-	-	-	-	-	-
0061	Community Service	7,239	-	-	-	1,141	-
6030	**Total Expenditures**	637,659	1,856,506	2,822	31,766	95,629	3,368
1200	Net Change in Fund Balances	-	(145,545)	-	-	-	-
0100	Fund Balances - Beginning	-	839,648	-	-	-	-
3000	Fund Balances - Ending	$ -	$ 694,103	$ -	$ -	$ -	$ -

POTEET INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2025

		Special Revenue Funds					
		270	279	289	313	314	315
Data Control Codes		Title V Part B	TCLAS ESSER III	Summer School	IDEA-B Special Education	IDEA-B Preschool	IDEA-B High Cost
	REVENUES						
5700	Local and Intermediate Sources	$ -	$ -	$ -	$ -	$ -	$ -
5800	State Program Revenues	-	-	-	-	-	-
5900	Federal Program Revenues	76,026	29,050	38,856	839,776	6,101	58,614
5020	**Total Revenues**	76,026	29,050	38,856	839,776	6,101	58,614
	EXPENDITURES						
	Current:						
0011	Instruction	70,955	29,050	6,763	395,526	6,101	58,614
0013	Curriculum Development	-	-	1,344	440	-	-
0023	School Leadership	5,071	-	-	-	-	-
0031	Guidance and Counseling	-	-	13,515	443,810	-	-
0034	Student Transportation	-	-	-	-	-	-
0035	Food Service	-	-	-	-	-	-
0036	Extracurricular Activities	-	-	-	-	-	-
0041	General Administration	-	-	10,537	-	-	-
0051	Plant Maintenance	-	-	4,700	-	-	-
0052	Security and Monitoring	-	-	1,997	-	-	-
0061	Community Service	-	-	-	-	-	-
6030	**Total Expenditures**	76,026	29,050	38,856	839,776	6,101	58,614
1200	Net Change in Fund Balances	-	-	-	-	-	-
0100	Fund Balances - Beginning	-	-	-	-	-	-
3000	Fund Balances - Ending	$ -	$ -	$ -	$ -	$ -	$ -

POTEET INDEPENDENT SCHOOL DISTRICT

PA

POTEET INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
FOR THE YEAR ENDED AUGUST 31, 2025

		Special Revenue Funds			
		410	429	461	
Data Control Codes		State Textbook	Other Grants	Campus Activity Funds	Total Nonmajor Funds
	REVENUES				
5700	Local and Intermediate Sources	$ -	$ -	$ 83,543	$ 153,873
5800	State Program Revenues	130,900	30,562	-	167,578
5900	Federal Program Revenues	-	-	-	3,454,182
5020	**Total Revenues**	130,900	30,562	83,543	3,775,633
	EXPENDITURES				
	Current:				
0011	Instruction	130,900	3,744	-	1,063,765
0013	Curriculum Development	-	-	-	373,246
0023	School Leadership	-	-	-	28,879
0031	Guidance and Counseling	-	-	-	457,325
0034	Student Transportation	-	-	-	5,482
0035	Food Service	-	-	-	1,782,720
0036	Extracurricular Activities	-	-	77,088	77,088
0041	General Administration	-	-	-	10,537
0051	Plant Maintenance	-	-	-	78,486
0052	Security and Monitoring	-	26,818	-	28,815
0061	Community Service	-	-	-	8,380
6030	**Total Expenditures**	130,900	30,562	77,088	3,914,723
1200	Net Change in Fund Balances	-	-	6,455	(139,090)
0100	Fund Balances - Beginning	-	-	61,259	900,907
3000	Fund Balances - Ending	$ -	$ -	$ 67,714	$ 761,817

EXHIBIT H-8

POTEET INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
AUGUST 31, 2025

		Workers Compensation	Health Plan	Total
	ASSETS:			
	Current Assets:			
1110	Cash and Cash Equivalents	$ 71,706	$ 99,315	$ 171,021
1260	Due from Other Funds	-	210,000	210,000
1290	Other Receivables	-	8,558	8,558
1000	*Total Assets*	71,706	317,873	389,579
	LIABILITIES:			
	Current Liabilities			
2110	Accounts Payable	-	305,844	305,844
2170	Due to Other Funds	71,706	-	71,706
2000	*Total Liabilities*	71,706	305,844	377,550
	NET POSITION:			
3900	Unrestricted Net Position	-	12,029	12,029
3000	*Total Net Position*	$ -	$ 12,029	$ 12,029

POTEET INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION – INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes		Workers Compensation	Health Plan	Total
	OPERATING REVENUES:			
5700	Local and Intermediate Sources	$ 60,668	$ 1,508,385	$ 1,569,053
5020	*Total Revenues*	60,668	1,508,385	1,569,053
	OPERATING EXPENSES:			
6400	Other Operating Costs	60,668	1,571,384	1,632,052
6030	*Total Expenses*	60,668	1,571,384	1,632,052
1100	Operating Net Income	-	(62,999)	(62,999)
7915	Transfers In	-	220,000	220,000
1300	Change in Net Position	-	157,001	157,001
0100	Total Net Position - Beginning	-	(144,972)	(144,972)
3900	Total Net Position - Ending	$ -	$ 12,029	$ 12,029

EXHIBIT H-10

POTEET INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2025

	Workers Compensation	Health Plan	Total
Cash Flows from Operating Activities:			
Cash Receipts (Payments) for Quasi-external			
Operating Transactions with Other Funds	$ 60,668	$ 1,508,385	$ 1,569,053
Cash Payments to Suppliers for Goods and Services	(109,592)	(1,449,327)	(1,558,919)
Net Cash Provided (Used) by Operating Activities	(48,924)	59,058	10,134
Cash Flows from Noncapital Financing Activities:			
Cash Receipts (Payments) for Quasi-external			
Repayment of Interfund Balances	116,169	10,000	126,169
Net Cash Provided (Used) by Noncapital Financing Activities	116,169	10,000	126,169
Net Increase (Decrease) in Cash and Cash Equivalents	67,245	69,058	136,303
Cash and Cash Equivalents at Beginning of Year	4,461	30,257	34,718
Cash and Cash Equivalents at End of Year	$ 71,706	$ 99,315	$ 171,021
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income (Loss)	$ -	$ (62,999)	$ (62,999)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Change in Assets and Liabilities:			
Decrease (Increase) in Other Receivables	-	185,357	185,357
Increase (Decrease) in Accounts Payable	(48,924)	(63,300)	(112,224)
Total Adjustments	(48,924)	122,057	73,133
Net Cash Provided (Used) by Operating Activities	$ (48,924)	$ 59,058	$ 10,134

EXHIBIT J-2

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

Data Control Codes		1 Budgeted Amounts Original	2 Budgeted Amounts Final	3 Actual	Variance with Final Budget
	REVENUES				
5700	Local and Intermediate Sources	$ 84,000	$ 84,000	$ 70,330	$ (13,670)
5800	State Program Revenues	7,000	7,000	6,116	(884)
5900	Federal Program Revenues	1,693,192	1,693,192	1,634,515	(58,677)
5020	**Total Revenues**	1,784,192	1,784,192	1,710,961	(73,231)
	EXPENDITURES				
0035	Food Services	1,892,143	2,062,493	1,782,720	279,773
0051	Plant Maintenance	70,600	80,600	73,786	6,814
6030	**Total Expenditures**	1,962,743	2,143,093	1,856,506	286,587
1200	Net Change in Fund Balance	(178,551)	(358,901)	(145,545)	213,356
0100	**Fund Balance - Beginning**	839,648	839,648	839,648	-
3000	**Fund Balance - Ending**	$ 661,097	$ 480,747	$ 694,103	$ 213,356

EXHIBIT J-3

POTEET INDEPENDENT SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes		1 Budgeted Amounts Original	2 Budgeted Amounts Final	3 Actual	Variance with Final Budget
	REVENUES				
5700	Local and Intermediate Sources	$ 3,171,370	$ 3,171,370	$ 3,051,402	$ (119,968)
5800	State Program Revenues	301,661	301,661	395,787	94,126
5020	**Total Revenues**	3,473,031	3,473,031	3,447,189	(25,842)
	EXPENDITURES				
0071	Principal on Long-Term Debt	941,918	941,918	900,000	41,918
0072	Interest on Long-Term Debt	2,313,168	2,313,168	2,313,168	-
0073	Bond Issuance Costs and Fees	2,500	2,500	1,851	649
6030	**Total Expenditures**	3,257,586	3,257,586	3,215,019	42,567
1200	Net Change in Fund Balance	215,445	215,445	232,170	16,725
0100	**Fund Balance - Beginning**	869,165	869,165	869,165	-
3000	**Fund Balance - Ending**	$ 1,084,610	$ 1,084,610	$ 1,101,335	$ 16,725

OTHER INFORMATION

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

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

	1	2	3
Fiscal Year Ended August 31,	Tax Rates Maintenance	Tax Rates Debt Service	Assessed/Appraised Value for School Tax Purposes*
2016 and Prior Years	$ Various	$ Various	$ Various
2017	1.1700	0.3290	234,758,106
2018	1.1700	0.3290	248,045,163
2019	1.1696	0.3005	255,784,123
2020	1.0681	0.3290	405,533,597
2021	1.0545	0.3426	439,896,885
2022	0.9761	0.4218	489,751,046
2023	0.9427	0.3467	549,070,110
2024	0.7573	0.4467	589,377,990
2025 (School Year Under Audit)*	0.7549	0.4575	659,904,734

1000 Totals

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

8000 - Taxes Refunded under Section 26.115 of the Tax Code provided by Section 11.42(f)

*Represents net taxable value after applicable exemptions, freeze adjustments, and discounts.

10 Beginning Balance 9/1/24	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/25
$ 219,015	$ -	$ 7,404	$ 1,576	$ (2,571)	$ 207,464
41,045	-	5,591	1,572	(1,961)	31,921
47,384	-	5,416	1,523	(4,496)	35,949
67,720	-	6,666	1,713	(4,411)	54,930
90,564	-	11,644	3,587	(4,562)	70,771
124,199	-	20,099	6,530	(5,329)	92,241
197,881	-	43,350	18,733	432	136,230
274,771	-	43,292	15,921	(18,246)	197,312
536,325	-	78,853	46,153	(99,287)	312,032
-	8,000,685	4,599,205	2,789,445	10,441	622,476
$ 1,598,904	$ 8,000,685	$ 4,821,520	$ 2,886,753	$ (129,990)	$ 1,761,326
		$ -			
		$ 4,227			

POTEET INDEPENDENT SCHOOL DISTRICT
SPECIAL PROGRAM COMPLIANCE SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes		Responses
	Section A: Compensatory Education Programs	
AP1	Did your LEA expend any state compensatory education program state allotment funds during the District's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the District's fiscal year.	$ 2,143,989
AP4	List the actual direct program expenditures for state compensatory education during the LEA's fiscal year (PICs 24, 26, 28, 29, 30)	$ 1,685,245
	Section B: Bilingual Education Programs	
AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	$ 130,796
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25)	$ 92,165

EXHIBIT L-1

POTEET INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2025

Data Control Codes		Responses
SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end?	No
SF3	Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF4	Was the school district issued a warrant hold?	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end	$ -

POTEET INDEPENDENT SCHOOL DISTRICT

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COMPLIANCE SECTION

Armstrong, Vaughan & Associates, P. C.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Board of Trustees
Poteet Independent School District
Poteet, TX

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Poteet Independent School District as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise Poteet Independent School District's basic financial statements, and have issued our report thereon dated December 1, 2025.

Report on Internal Control over Financial Reporting

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

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

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

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Report on Compliance and Other Matters

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

Purpose of this Report

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

Armstrong, Vaughan & Associates, P.C.

Armstrong, Vaughan & Associates, P.C.

December 1, 2025

Armstrong, Vaughan & Associates, P. C.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE

Board of Trustees
Poteet Independent School District
Poteet, TX

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Poteet Independent School District's compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2025. Poteet Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

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Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

Armstrong, Vaughan & Associates, P.C.

Armstrong, Vaughan & Associates, P.C.

December 1, 2025

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

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Any material weaknesses identified?	____ Yes	X No
Any significant deficiencies identified?	____ Yes	X No
Noncompliance material to financial Statements noted?	____ Yes	X No

2. Federal Awards

Internal control over major programs:		
Any material weaknesses identified?	____ Yes	X No
Any significant deficiencies identified?	____ Yes	X No
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	____ Yes	X No

Identification of major programs:

ALN Number(s)	Name of Federal Program or Cluster
84.027A, 84.173A	Special Education Cluster

Dollar threshold used to distinguish between Type A and type B Programs:	$750,000	
Auditee qualified as low-risk auditee?	X Yes	___ No

B. Financial Statement Findings
NONE

C. Federal Award Findings and Questioned Costs
NONE

D. Prior Audit Findings Related to Federal Awards
NONE

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

(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Assistance Listing Number	(2A) Pass-Through Entity Identifying Number	(3) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed Through Texas Education Agency			
Title I Part A - Improving Basic Programs	84.010A	25610101007906	$ 664,821
IDEA-B Special Education*	84.027A	256600010079066600	862,345
IDEA-B Preschool*	84.173A	256610010079066610	6,390
IDEA-B High Cost*	84.027A	66002506	58,614
Title II Part A - Teacher & Principal Training & Recruiting	84.367A	25694501007906	99,702
Carl Perkins	84.048A	25420006007906	32,488
Title IV Part A	84.424A	25680101007906	39,091
Title V Part B	84.358B	25696001007906	78,668
LEP Summer School	84.369A	69552402	1,363
Elementary and Secondary School Emergency Relief			
Texas Covid Learning Assistance and Support ESSER III	84.425U	21528042007906	29,050
Total Passed Through Texas Education Agency			1,872,532
Passed Through Education Service Center Region 20			
Texas Education for Homeless Children and Youth	84.196A	662-8-03	2,822
Title III Part A	84.365A	442-9-003	3,368
Total Passed Through Education Service Center Region 20			6,190
TOTAL U.S. DEPARTMENT OF EDUCATION			1,878,722
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through Texas Department of Agriculture:			
School Breakfast Program^	10.553	71402501	447,611
National School Lunch ^	10.555	71302501	1,099,857
Commodities^#	10.555		87,048
Total Passed Through Texas Department of Agriculture			1,634,516
TOTAL U.S. DEPARTMENT OF AGRICULTURE			1,634,516
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 3,513,238

- Indicates Non-cash Assistance

Program Totals			
National School Lunch	10.555		1,186,905
IDEA-B Special Education	84.027A		920,959
Cluster Totals			
^ Child Nutrition			1,634,516
* Special Education			927,349

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

1. For all Federal programs, the District uses the fund types specified in Texas Education Agency's Financial Accountability System Resource Guide. Special revenue funds are used to account for resources restricted, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.

2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in the General Fund or Special Revenue Fund, which are Governmental Fund types. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

   The modified accrual basis of accounting is used for the Governmental Fund types and Agency Funds. This basis of accounting recognizes revenue in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

   Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and accordingly, when such funds are received, they are recorded as deferred revenue until earned.

3. According to AAG-SLG Appendix D, Questions and Answers, most Medicaid arrangements between states and providers (SHARS) are contracts for services and not Federal assistance, they should not appear on the Schedule of Expenditures of Federal Awards.

4. The District charges indirect costs in accordance with a negotiated rate and has not elected to use the 10% de minimis indirect cost rate as allowed by Uniform Guidance. Instead, the District utilizes a negotiated rate with the Texas Education Agency.

5. Reconciliation of the Schedule of Expenditures of Federal Awards to Exhibit C-2 is as follows:

Federal Program Revenues and Expenditures:	
General Fund	$ 185,861
Special Revenue Fund	3,454,182
	3,640,043
Less:	
Shared Health and Related Services (SHARS)	(126,805)
Total per Schedule of Expenditures of Federal Awards (See Exhibit K-1)	$ 3,513,238

POTEET INDEPENDENT SCHOOL DISTRICT

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APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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

**POTEET INDEPENDENT SCHOOL DISTRICT
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2026
DATED AS OF AUGUST 1, 2026
IN THE AGGREGATE PRINCIPAL AMOUNT OF $10,000,000**

AS BOND COUNSEL FOR THE POTEET INDEPENDENT SCHOOL DISTRICT (the *District*) in connection with the issuance of the bonds described above (the *Bonds*), we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds until maturity or prior redemption at the rates and are payable on the dates as stated in the text of the Bonds, all in accordance with the terms and conditions stated in the text of the Bonds.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and general laws of the State of Texas and a transcript of certified proceedings of the District, and other pertinent instruments authorizing and relating to the issuance of the Bonds including (i) the order authorizing the issuance of the Bonds (the *Order*), (ii) one of the executed Bonds (*Bond No. T-1*), and (iii) the District's Federal Tax Certificate of even date herewith.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been authorized, issued and delivered in accordance with law; that the Bonds constitute valid and legally binding general obligations of the District in accordance with their terms except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium, liquidation, and other similar laws now or hereafter enacted relating to creditors' rights generally; that the District has the legal authority to issue the Bonds and to repay the Bonds; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Bonds, as such interest comes due, and as such principal matures, have been levied and ordered to be levied against all taxable property in the District, and have been pledged for such payment, without limit as to rate or amount.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the *Code*). In expressing the aforementioned opinions, we have relied on and assume continuing compliance with, certain representations contained in the Federal Tax Certificate of the District and covenants set forth in the order adopted by the District to authorize the issuance of the Bonds, relating to, among other matters, the use of the project and the investment and expenditure of the proceeds and certain other amounts used to pay or to secure the payment of debt service on the Bonds, and the certificate with respect to arbitrage by the Commissioner of Education regarding the allocation and investment of certain investments in the Permanent School Fund, the accuracy of which we have not independently verified. We call your attention to the fact that if such representations are determined to be inaccurate or if the District fails to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

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

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

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

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the District, and, in that capacity, we have been engaged by the District for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and general laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the District, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the District as to the current outstanding indebtedness of, and assessed valuation of taxable property within, the District. Our role in connection with the District's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

Respectfully,

APPENDIX D

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

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

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

History and Purpose

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

On November 8, 1983, the voters of the State approved a constitutional amendment that provides for the guarantee by the PSF of bonds issued by school districts. On approval by the State Commissioner of Education (the "Education

Commissioner"), bonds properly issued by a school district are fully guaranteed by the PSF. See "The School District Bond Guarantee Program."

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

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

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

Audited financial information for the PSF is provided annually through the PSF Corporation's Annual Comprehensive Financial Report (the "Annual Report"), which is filed with the Municipal Securities Rulemaking Board ("MSRB"). The Texas School Land Board's (the "SLB") land and real assets investment operations, which are part of the PSF as described below, are also included in the annual financial report of the Texas General Land Office (the "GLO") that is included in the annual comprehensive report of the State of Texas. The Annual Report includes the Message From the Chief Executive Officer of the PSF Corporation (the "Message") and the Management's Discussion and Analysis ("MD&A"). The Annual Report for the year ended August 31, 2025, as filed with the MSRB in accordance with the PSF undertaking and agreement made in accordance with Rule 15c2-12 ("Rule 15c2-12") of the United States Securities and Exchange Commission (the "SEC"), as described below, is hereby incorporated by reference into this disclosure. Information included herein for the year ended August 31, 2025, is derived from the audited financial statements of the PSF, which are included in the Annual Report as it is filed and posted. Reference is made to the Annual Report for the complete Message and MD&A for the year ended August 31, 2025, and for a description of the financial results of the PSF for the year ended August 31, 2025, the most recent year for which audited financial information regarding the Fund is available. The 2025 Annual Report speaks only as of its date and the PSF Corporation has not obligated itself to update the 2025 Annual Report or any other Annual Report. The PSF Corporation posts (i) each Annual Report, which includes statistical data regarding the Fund as of the close of each fiscal year, (ii) the most recent disclosure for the Guarantee Program, (iii) the PSF Corporation's Investment Policy Statement (the "IPS"), and (iv) monthly updates with respect to the capacity of the Guarantee Program (collectively, the "Web Site Materials") on the PSF

Corporation's web site at https://texaspsf.org and with the MSRB at www.emma.msrb.org. Such monthly updates regarding the Guarantee Program are also incorporated herein and made a part hereof for all purposes. In addition to the Web Site Materials, the Fund is required to make quarterly filings with the SEC under Section 13(f) of the Securities Exchange Act of 1934. Such filings, which consist of a list of the Fund's holdings of securities as required by Section 13(f), are available from the SEC at www.sec.gov/edgar. A list of the Fund's equity and fixed income holdings as of August 31 of each year is posted to the PSF Corporation's web site and filed with the MSRB. Such list excludes holdings in the Fund's securities lending program. Such list, as filed, is incorporated herein and made a part hereof for all purposes.

Management and Administration of the Fund

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

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

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

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

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

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

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

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

The Total Return Constitutional Amendment

The Total Return Constitutional Amendment requires that PSF distributions to the ASF be determined using a "total-return-based" approach that provides that the total amount distributed from the Fund to the ASF: (1) in each year of a State fiscal biennium must be an amount that is not more than 6% of the average of the market value of the Fund, excluding real property (the "Distribution Rate"), on the last day of each of the sixteen State fiscal quarters preceding the Regular Session of the Legislature that begins before that State fiscal biennium, in accordance with the rate adopted by: (a) a vote of two-thirds of the total membership of the SBOE, taken before the Regular Session of the Legislature convenes or (b) the Legislature by general law or appropriation,

if the SBOE does not adopt a rate as provided by clause (a); and (2) over the ten-year period consisting of the current State fiscal year and the nine preceding State fiscal years may not exceed the total return on all investment assets of the Fund over the same ten-year period (the "Ten Year Total Return"). In April 2009, the Attorney General issued a legal opinion, Op. Tex. Att'y Gen. No. GA-0707 (2009) ("GA-0707"), with regard to certain matters pertaining to the Distribution Rate and the determination of the Ten Year Total Return. In GA-0707 the Attorney General opined, among other advice, that (i) the Ten Year Total Return should be calculated on an annual basis, (ii) a contingency plan adopted by the SBOE, to permit monthly transfers equal in aggregate to the annual Distribution Rate to be halted and subsequently made up if such transfers temporarily exceed the Ten Year Total Return, is not prohibited by State law, provided that such contingency plan applies only within a fiscal year time basis, not on a biennium basis, and (iii) the amount distributed from the Fund in a fiscal year may not exceed 6% of the average of the market value of the Fund or the Ten Year Total Return. In accordance with GA-0707, in the event that the Ten Year Total Return is exceeded during a fiscal year, transfers to the ASF will be halted. However, if the Ten Year Total Return subsequently increases during that biennium, transfers may be resumed, if the SBOE has provided for that contingency, and made in full during the remaining period of the biennium, subject to the limit of 6% in any one fiscal year. Any shortfall in the transfer that results from such events from one biennium may not be paid over to the ASF in a subsequent biennium as the SBOE would make a separate payout determination for that subsequent biennium.

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

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

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

Annual Distributions to the Available School Fund[1]

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

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

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

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

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

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

PSF Corporation Strategic Asset Allocation

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

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

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

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

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

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

Comparative Investment Schedule – PSF(CORP)

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

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

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

The table below sets forth the investments of the PSF(SLB) for the year ended August 31, 205.

Investment Schedule - PSF(SLB)[1]

Fair Value (in millions) August 31, 2025

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

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

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

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

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

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

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

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

The School District Bond Guarantee Program

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

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

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

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

Generally, the regulations that govern the School District Bond Guarantee Program (the "SDBGP Rules") limit guarantees to certain types of notes and bonds, including, with respect to refunding

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

The Charter District Bond Guarantee Program

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

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

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

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

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

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

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

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

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

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

Capacity Limits for the Guarantee Program

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

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

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

Changes in SBOE-determined multiplier for State Capacity Limit

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

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

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

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

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

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

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

2017 Legislative Changes to the Charter District Bond Guarantee Program

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

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

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

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

Charter District Risk Factors

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

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

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

As described above, the Act includes a funding "intercept" function that applies to both the School District Bond Guarantee Program and the Charter District Bond Guarantee Program. However, school districts are viewed as the "educator of last resort" for students residing in the geographical territory of the district, which makes it unlikely that State funding for those school districts would be discontinued, although the TEA can require the dissolution and merger into another school district if necessary to ensure sound education and financial management of a school district. That is not the case with a charter district, however, and open-enrollment charter schools in the State have been dissolved by TEA from time to time. If a charter district that has bonds outstanding that

are guaranteed by the Charter District Bond Guarantee Program should be dissolved, debt service on guaranteed bonds of the district would continue to be paid to bondholders in accordance with the Charter District Bond Guarantee Program, but there would be no funding available for reimbursement of the PSF by the Comptroller for such payments. As described under "The Charter District Bond Guarantee Program," the Act established the Charter District Reserve Fund, to serve as a reimbursement resource for the PSF.

Ratings of Bonds Guaranteed Under the Guarantee Program

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

Valuation of the PSF and Guaranteed Bonds

Permanent School Fund Valuations

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

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

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

Permanent School Fund Guaranteed Bonds

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

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

Permanent School Fund Guaranteed Bonds by Category[1]

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

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

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

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

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

Effective February 1, 2024, Texas PSF transitione 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 credit1, absolute return, private equity, real estate, natural resources, and infrastructure. For a description of the accrual basis of accounting and more information about performance, including comparisons to established benchmarks for certain periods, please see the 2025 Annual Report which is included by reference herein.

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

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

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

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

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

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

Other Events and Disclosures

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

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

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

PSF Continuing Disclosure Undertaking

As of March 1, 2023, the TEA's undertaking pursuant to Rule 15c2-12 (the "TEA Undertaking") pertaining to the PSF and the Guarantee Program, is codified at 19 TAC 33.8, which relates to the GuaranteeProgramandisavailableat availableat 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 15c2-12are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling bonds guaranteed by the Guarantee Program in the primary offering of such bonds.

Compliance with Prior Undertakings

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

SEC Exemptive Relief

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

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