OFFICIAL STATEMENT DATED AUGUST 19, 2026

<u>NEW ISSUES</u>: BOOK-ENTRY-ONLY

Ratings: Moody's "Aaa" / "A3"
(See "RATINGS", "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "APPENDIX C – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM")

Interest on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Bonds (see "TAX MATTERS" herein).

STAFFORD MUNICIPAL SCHOOL DISTRICT
(Fort Bend and Harris Counties, Texas)

$3,015,000
UNLIMITED TAX REFUNDING BONDS, TAXABLE SERIES 2026

Dated Date: August 15, 2026 **Due: August 15, as shown on page ii**
(Interest Accrual Date: Date of Delivery)

The City of Stafford, Texas (the "City"), for and on behalf of the Stafford Municipal School District (the "District"), is issuing the District's $3,015,000 Unlimited Tax Refunding Bonds, Taxable Series 2026 (the "Bonds"). The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including, particularly, Chapter 1207, Texas Government Code, as amended; an ordinance adopted by the City Council of the City (the "City Council") authorizing the issuance of the Bonds for and on behalf of the District (the "Bond Ordinance"); and an order levying taxes adopted by the Board of Trustees (the "Board") of the District (the "Order Levying Taxes"). In the Bond Ordinance, the City delegated the authority to certain District and City officials to execute an officer's pricing certificate (the "Pricing Certificate" and, together with the Bond Ordinance, the "Ordinance") establishing the final sale terms for the Bonds. The District and City officials executed and delivered the Pricing Certificate that completed the final sale terms of the Bonds. The Ordinance and the Order Levying Taxes are together referred to herein as the "Authorizing Documents." The Bonds constitute direct obligations of the District and are payable as to principal and interest from the proceeds of an annual ad valorem tax levied by both the City and the District, without legal limit as to rate or amount, against all taxable property located within the District, as provided in the Authorizing Documents.

The District has received conditional approval from the Texas Education Agency for the Bonds to be guaranteed under the State of Texas Permanent School Fund Guarantee Program (hereinafter defined), which will automatically become effective when the Attorney General of Texas approves the Bonds (see "APPENDIX C – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein).

Interest on the Bonds will accrue from the date they are initially delivered to the initial purchaser thereof named below (the "Underwriter") and will be payable on February 15, 2027 and semiannually thereafter on August 15 and February 15 of each year until stated maturity. The Bonds will be issued in principal denominations of $5,000 or any integral multiple thereof within a maturity. Interest accruing on the Bonds will be calculated on the basis of a 360-day year of twelve 30-day months (see "THE BONDS – General Description").

The Bonds will be issued as fully registered Bonds only and, when issued, will be initially registered in the name of Cede & Co., as registered owner and nominee for DTC, which initially will act as securities depository pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of $5,000 or any integral multiple thereof. Beneficial owners of the Bonds will not receive physical delivery of bond certificates except as described herein. For so long as Cede & Co., as a nominee of DTC, is the exclusive registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A., Houston, Texas (the "Paying Agent/Registrar") to DTC on each applicable payment date.

The Bonds are not subject to optional redemption prior to maturity (see "THE BONDS – Redemption Provisions" herein).

Proceeds from the sale of the Bonds will be used to (i) refund a portion of the District's outstanding bonds (the "Refunded Bonds") for debt service savings (see "Schedule I – SCHEDULE OF BONDS TO BE REFUNDED" and "THE BONDS – Refunded Bonds"), and (ii) pay costs of issuance related to the Bonds (see "THE BONDS – Authorization and Purpose").

CUSIP PREFIX: 852519
MATURITY SCHEDULE & 9 DIGIT CUSIP
See Page ii

The Bonds are offered when, as and if issued, and accepted by the Underwriter listed below, subject to the approving opinion of the Attorney General of the State of Texas and the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, Troutman Pepper Locke LLP, Dallas, Texas. The Bonds are expected to be available for initial delivery through the facilities of DTC on or about September 15, 2026.

SAMCO CAPITAL MARKETS

CUSIP Prefix: 852519[A]

MATURITY SCHEDULE

$3,015,000
UNLIMITED TAX REFUNDING BONDS, TAXABLE SERIES 2026

Maturity Date	Principal Amount	Interest Rate	Initial Reoffering Yield[B]	CUSIP Suffix[A]
8/15/2027	$2,985,000	4.320%	4.320%	LV7
8/15/2028	10,000	4.470	4.470	LW5
8/15/2029	10,000	4.550	4.550	LX3
8/15/2030	10,000	4.650	4.650	LY1

(Interest Accrues from the Date of Delivery)

Redemption…The Bonds are not subject to optional redemption prior to maturity (see "THE BONDS – Redemption Provisions" herein).

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

[B] The initial reoffering yield represents the initial offering yield to the public, which will be determined by the Underwriter. Portions of the Bonds may be sold by the Underwriter at prices other than those shown above.

STAFFORD MUNICIPAL SCHOOL DISTRICT
OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

Name	Position	Term Expires	Occupation
Ash Hamirani	President	May 2028	Self-Employed
Jacqueline Jean-Baptiste	Vice President	May 2029	Senior Director of Regulatory Affairs & Quality Assurance
Patricia Soza-Montelongo	Secretary	May 2028	Patient Care Coordinator
Joyce Wilkins	Member	May 2027	Homemaker
Manuel Hinojosa	Member	May 2027	Director of Laboratory Operations/Healthcare Administration
Suzette Thompson	Member	May 2028	Registered Nurse
Joycelyn Bennett	Member	May 2029	Educator

CERTAIN DISTRICT OFFICIALS

Name	Position	Length of Service with the District	Length of Professional Experience
Dr. Adam Stephens	Superintendent	<1 year	23 years
Dr. Kadir Almus	Chief Academic Officer	8 years	31 years
Dovran Ovezov, CPA	Chief Financial Officer	3 years	18 years

CONSULTANTS AND ADVISORS

Auditors……………………………………………………………………………………………………Whitley Penn LLP
Houston, Texas

Bond Counsel…………………………………………………..…………………………..…Orrick, Herrington & Sutcliffe, LLP
Houston, Texas

Municipal Advisor ………………………………………………………………………………RBC Capital Markets, LLC
Houston, Texas

FOR ADDITIONAL INFORMATION PLEASE CONTACT:

Dovran Ovezov
Chief Financial Officer
Stafford Municipal School District
1633 Staffordshire Road
Stafford, Texas 77477
Phone: (281) 261-9361

Clarence Grier
Managing Director
RBC Capital Markets, LLC
609 Main Street, Suite 3600
Houston, Texas 77002
Phone: (713) 853-0823

USE OF INFORMATION IN OFFICIAL STATEMENT

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

This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

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

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

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

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

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

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 final official statement for any purpose.

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 any purchasers of the Bonds. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING THE SCHEDULES AND APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

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

TABLE OF CONTENTS

The cover page hereof, the Maturity Schedule, the section entitled "Selected Data from the Official Statement," this Table of Contents, the Schedule, and the Appendices attached hereto are part of this Official Statement.

SELECTED DATA FROM THE OFFICIAL STATEMENT

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

The District	The City of Stafford, Texas (the "City"), for and on behalf of the Stafford Municipal School District (the "District"), is issuing the District's $3,015,000 Unlimited Tax Refunding Bonds, Taxable Series 2026 (the "Bonds"). The City and the District have coterminous boundaries and are both entirely located within Fort Bend and Harris Counties, Texas (see "APPENDIX A – FINANCIAL INFORMATION REGARDING THE DISTRICT" and "APPENDIX B – GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY").
Authority for Issuance	The Bonds are being issued pursuant to the Constitution and general laws of the State, including Chapter 1207, Texas Government Code, as amended; an ordinance adopted by the City Council, authorizing the issuance of the Bonds for and on behalf of the District (the "Bond Ordinance"); and an order levying taxes adopted by the Board (the "Order Levying Taxes"). In the Bond Ordinance, the City delegated the authority to certain District and City officials to execute an officer's pricing certificate (the "Pricing Certificate" and, together with the Bond Ordinance, the "Ordinance") establishing the final sale terms of the Bonds. The District and City officials executed and delivered the Pricing Certificate that completed the final sale terms of the Bonds. The Ordinance and the Order Levying Taxes are together referred to herein as the "Authorizing Documents" (see "THE BONDS – Authorization and Purpose").
The Bonds	The Bonds shall mature on the dates and in the amounts set forth on page ii of this Official Statement (see "THE BONDS – General Description").
Payment of Interest	Interest on the Bonds will accrue from the date of delivery and will be payable beginning on February 15, 2027, and semiannually thereafter on August 15 and February 15 of each year until stated maturity (see "THE BONDS – General Description").
Security	The Bonds constitute direct obligations of the District, payable as to principal and interest from an annual ad valorem tax levied, jointly by the City and the District, without legal limit as to rate or amount, against all taxable property located within the District, as provided in the Authorizing Documents (see "THE BONDS – Security"). Also see "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" for a discussion of recent developments in State law affecting the financing of school districts in Texas. Additionally, an application has been filed with, and the District has received conditional approval from, the Texas Education Agency for the payment of the Bonds to be guaranteed by the corpus of the Permanent School Fund of the State of Texas (see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "APPENDIX C – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").
Purpose of the Bonds	Proceeds from the sale of the Bonds will be used to (i) refund a portion of the District's outstanding bonds (the "Refunded Bonds") for debt service savings (see "Schedule I – SCHEDULE OF BONDS TO BE REFUNDED" and "THE BONDS – Refunded Bonds"), and (ii) pay costs of issuance related to the Bonds (see "THE BONDS – Purpose").
Redemption Provisions	The Bonds are not subject to optional redemption prior to maturity (see "THE BONDS – Redemption Provisions" herein).
Ratings	The Bonds are rated "Aaa" by Moody's Investors Service, Inc. ("Moody's") based upon the guaranteed repayment thereof under the Permanent School Fund Guarantee Program of the Texas Education Agency. Moody's generally rates all bond issues guaranteed by the corpus of the Permanent School Fund of the State of Texas "Aaa" (see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "APPENDIX C – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM"). The District's unenhanced, underlying rating (without consideration of the Permanent School Fund Guarantee) on the Bonds is "A3" by Moody's (see "RATINGS").
Tax Matters	Interest on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Bonds (see "TAX MATTERS").

Book-Entry-Only System	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 principal amount or integral multiples thereof. 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").
Paying Agent/Registrar	The initial Paying Agent/Registrar for the Bonds is The Bank of New York Mellon Trust Company, N.A., Houston, Texas (see "REGISTRATION, TRANSFER, AND EXCHANGE – Paying Agent/Registrar").
Continuing Disclosure of Information	Pursuant to the Authorizing Documents, the District is obligated to provide certain updated financial information and operating data annually, and to provide timely notice of certain specified events which will be available to investors as described in the section captioned "CONTINUING DISCLOSURE OF INFORMATION." Also see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM – PSF Continuing Disclosure Undertaking" for a description of the undertaking of the Texas Education Agency to provide certain information on a continuing basis.
Payment Record	The District has never defaulted on the payment of its bonded indebtedness.
Legality	Delivery of the Bonds is subject to the approval by the Attorney General of Texas and the rendering of an opinion as to legality by Orrick, Herrington & Sutcliffe LLP, Bond Counsel (see "LEGAL MATTERS").
Delivery	When issued, anticipated to be on or about September 15, 2026.

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OFFICIAL STATEMENT
RELATING TO

STAFFORD MUNICIPAL SCHOOL DISTRICT
(Fort Bend and Harris Counties, Texas)

$3,015,000
UNLIMITED TAX REFUNDING BONDS, TAXABLE SERIES 2026

INTRODUCTORY STATEMENT

This Official Statement, which includes the Schedule I and Appendices A, B, and E hereto, provides certain information in connection with the issuance by the City of Stafford, Texas (the "City"), for and on behalf of the Stafford Municipal School District (the "District"), of the District's $3,015,000 Unlimited Tax Refunding Bonds, Taxable Series 2026 (the "Bonds") identified on the cover page hereof.

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

There follows in this Official Statement descriptions of the Bonds and the Authorizing Documents (as defined herein), and certain other information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained upon request by electronic mail or upon payment of reasonable copying, mailing, and handling charges by writing the District's Municipal Advisor, RBC Capital Markets, LLC, 609 Main Street, Suite 3600, Houston, Texas 77002.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. A copy of this Official Statement relating to the Bonds will be submitted by the initial purchaser of the Bonds (the "Underwriter") to the Municipal Securities Rulemaking Board and will be available through its Electronic Municipal Market Access ("EMMA") system. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the District's undertaking to provide certain information on a continuing basis. See "APPENDIX C – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM – PSF Continuing Disclosure Undertaking" for a description of the undertakings of the Texas Education Agency to provide certain information on a continuing basis.

THE BONDS

Authorization and Purpose

The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including Chapter 1207, Texas Government Code, as amended; an ordinance adopted by the City Council authorizing the issuance of the Bonds for and on behalf of the District (the "Ordinance"); and an order levying taxes adopted by the Board (the "Order Levying Taxes"). In the Bond Ordinance, the City delegated the authority to certain District and City officials to execute an officer's pricing certificate (the "Pricing Certificate" and, together with the Bond Ordinance, the "Ordinance") establishing the final sale terms of the Bonds. The District and City officials executed and delivered the Pricing Certificate that completed the final sale terms of the Bonds. The Ordinance and the Order Levying Taxes are together referred to herein as the "Authorizing Documents." Capitalized terms used herein have the same meanings assigned to such terms in the Authorizing Documents, except as otherwise indicated.

Proceeds from the sale of the Bonds will be used to (i) refund a portion of the District's outstanding bonds (the "Refunded Bonds") for debt service savings (see "Schedule I – SCHEDULE OF BONDS TO BE REFUNDED" and "THE BONDS – Refunded Bonds"), and (ii) pay costs of issuance related to the Bonds.

Refunded Bonds

The principal and interest due on the Refunded Bonds are to be paid on the redemption date of such Refunded Bonds from funds to be deposited pursuant to a certain escrow agreement (the "Escrow Agreement") between the District and The Bank of New York Mellon Trust Company, N.A., Houston, Texas (the "Escrow Agent"). The Authorizing Documents provide that from the proceeds of the sale of the Bonds received from the underwriter of the Bonds listed on the cover page hereof (the "Underwriter"), and other available District funds, if any, the District will deposit with the Escrow Agent the amount which, together with the Defeasance Securities (defined below) purchased with a portion of the Bond proceeds and the interest to be earned on such Defeasance Securities, will be sufficient to accomplish the discharge and final payment of the Refunded Bonds on their redemption date. Such funds will be held by the Escrow Agent in a special escrow account (the "Escrow Fund") and used to purchase some or all of the following types of obligations: (a) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States,

(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 and/or (c) noncallable obligations of a state or an agency or a county, municipality or other political subdivision of a state that have been refunded and that, on the date 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 (the "Defeasance Securities"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Bonds.

Robert Thomas CPA LLC (the "Verification Agent"), a firm of independent certified public accountants, will verify at the time of delivery of the Bonds to the Underwriter that the Escrowed Securities will mature and pay interest in such amounts which, together with the uninvested funds, if any, in the Escrow Fund, will be sufficient to pay, on the redemption date, the principal of and interest on the Refunded Bonds. Such maturing principal of and interest on the Escrowed Securities will not be available to pay debt service on the Bonds (see "VERIFICATION OF ARITHMETICAL COMPUTATIONS").

By the deposit of the Escrowed Securities and cash with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of the Refunded Bonds pursuant to the terms of Chapter 1207, Texas Government Code, as amended, and the orders authorizing the issuance of the Refunded Bonds. In the opinion of Bond Counsel, as a result of such defeasance and in reliance upon the report from the Verification Agent, the Refunded Bonds will be outstanding only for the purpose of receiving payments from the Escrowed Securities and cash held for such purpose by the Escrow Agent, and the Refunded Bonds will not be deemed as being outstanding obligations of the District payable from the sources and secured in the manner provided in the orders authorizing their issuance or for any other purpose. The District will have no further responsibility with respect to amounts available in the Escrow Fund for the payment of the Refunded Bonds from time to time, including any insufficiency therein caused by the failure to receive payment when due on the Escrowed Securities. Upon defeasance of the Refunded Bonds, the payment of such Refunded Bonds that were guaranteed by the State of Texas Permanent School Fund Guarantee Program will no longer be guaranteed by the State of Texas Permanent School Fund Guarantee Program.

General Description

Interest on the Bonds will accrue from the Date of Delivery shown on the cover page and will be calculated on the basis of a 360-day year of twelve 30-day months. The paying agent/registrar for the Bonds is initially The Bank of New York Mellon Trust Company, N.A., Houston, Texas (the "Paying Agent/Registrar").

The Bonds are to mature on the dates and in the principal amounts shown on page ii hereof. The Bonds will be issued as fully registered obligations in principal denominations of $5,000 or any integral multiple thereof within a maturity. Interest on the Bonds will accrue from the Date of Delivery, at the interest rates shown on page ii hereof and such interest shall be payable to the registered owners thereof commencing on February 15, 2027, and semiannually thereafter on each succeeding August 15 and February 15 until stated maturity.

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

Security

The Bonds are direct obligations of the District and are payable as to principal amount and interest from an annual ad valorem tax levied jointly by the City and the District, without legal limit as to rate or amount, on all taxable property within the District, as provided in the Authorizing Documents. Additionally, the District has received from the Texas Education Agency conditional approval for the payment of the Bonds to be guaranteed by the corpus of the Permanent School Fund of the State of Texas (see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM," "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM") and "APPENDIX C – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM," as it relates to the Bonds).

Redemption Provisions

The Bonds are <u>not</u> subject to optional redemption prior to maturity.

Defeasance of Bonds

The Authorizing Documents provide for the defeasance of the Bonds when the payment on the Bonds 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 authorized escrow agent, in trust (1) money sufficient to make such payment and/or (2) Government Securities that have been certified by an independent certified public accountant, the District's municipal advisor, the Paying Agent/Registrar, or another qualified third party to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money, together with any moneys deposited therewith, to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds, and thereafter the District will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Government Securities. The Authorizing Documents provide that "Government Securities" 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 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 and (d) any other then authorized securities or obligations under applicable State law that may be used to defease obligations such as the Bonds. The District has the right, subject to satisfying the requirements, of (1) and (2) above, to substitute other Government Securities for the Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance, and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance.

The Pricing Officer may restrict such eligible securities and obligations in connection with the sale of the Bonds. In the event the Pricing Officer restricts such eligible securities and obligations, the final Official Statement will reflect the new authorized Government Securities.

Amendments to the Ordinance

In the Authorizing Documents, the District has reserved the right to, without the consent of or notice to any holders, from time to time and at any time, amend the Authorizing Documents in any manner not detrimental to the interests of the holders, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the District may, with the written consent of holders holding a majority in aggregate principal amount of the Bonds then Outstanding affected thereby, amend, add to, or rescind any of the provisions of the Authorizing Documents; provided that, without the consent of all holders of Outstanding Bonds, no such amendment, addition, or rescission shall (1) extend the time or times of payment of the principal of, premium, if any, and interest on the Bonds, reduce the principal amount thereof, the redemption price of the Bonds, 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 Holders for consent to any such amendment, addition, or rescission.

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 Orrick, Herrington & Sutcliffe, LLP, Houston, Texas (see "LEGAL MATTERS" and "APPENDIX D – FORM OF LEGAL OPINION OF BOND COUNSEL").

Payment Record

The District has never defaulted with respect to the payment of its bonded indebtedness. There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Authorizing Documents do not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Government Securities or that for any other Government Security will be maintained at any particular rating category.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid and will cease to be outstanding obligations secured by the Authorizing Documents or treated as debt of the District for purposes of taxation or applying any limitation on the District's ability to issue debt or for any other purpose. Upon defeasance, such defeased Bonds shall no longer be regarded to be outstanding or unpaid and the Bonds will no longer be guaranteed by the corpus of the Texas Permanent School Fund.

Permanent School Fund Guarantee

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

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

Sources and Uses of Funds

The proceeds from the sale of the Bonds, together with the District contribution, will be applied approximately as follows:

Sources:	
Principal Amount of the Bonds	$ 3,015,000.00
Issuer Contribution	156,000.00
Total Sources of Funds	**$ 3,171,000.00**
Uses:	
Deposit to Escrow Fund	$ 3,074,285.93
Costs of Issuance	74,000.00
Underwriter's Discount	22,488.43
Additional Proceeds	225.64
Total Uses of Funds	**$ 3,171,000.00**

REGISTERED OWNERS' REMEDIES

The Authorizing Documents do not specify events of default with respect to the Bonds. If the District defaults in the payment of principal, interest or, with respect to the Bonds, redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Authorizing Documents, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Authorizing Documents, and, with respect to the Bonds, the State fails to honor the Permanent School Fund Guarantee as discussed herein, the registered owners may seek a writ of mandamus to compel District officials to carry out their legally imposed duties with respect to the Bonds, enforce rights of payment under the Permanent School Fund Guarantee, if there is no other available remedy at law to compel performance of the Bonds or the Authorizing Documents covenants and the District's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Authorizing Documents do 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 Authorizing Documents, 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 Authorizing Documents covenants in the absence of District action. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the United States Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce creditors' rights would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors, principles of governmental immunity and by general principles of equity which permit the exercise of judicial discretion.

See "APPENDIX C – 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.

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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 Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the Bonds will be printed and delivered in accordance with the Authorizing Documents.

Use of Certain Terms in Other Sections of this Official Statement

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

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

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The Bank of New York Mellon Trust Company, N.A., Houston, Texas, has been named to serve as initial Paying Agent/Registrar for the Bonds. In the Authorizing Documents, the District retains the right to replace the Paying Agent/Registrar. The District covenants to maintain and provide a Paying Agent/Registrar at all times while any Bonds are outstanding and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State, or any other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Future Registration

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

Record Date for Interest Payment

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

Replacement Bonds

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

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. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 Legislative Sessions" for a discussion of certain legislation affecting ad valorem taxation.

Valuation of Taxable Property

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

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property (the "10% Homestead Cap"). See Tables 1 and 9 in "APPENDIX A – FINANCIAL INFORMATION REGARDING THE DISTRICT" for the reduction in taxable valuation attributable to the 10% Homestead Cap.

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

State law provides 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 ("Productivity Value"). The same land may not be qualified as both agricultural and open-space land. See Tables 1 and 3 in "APPENDIX A – FINANCIAL INFORMATION REGARDING THE DISTRICT" for the reduction in taxable valuation attributable to Productivity Value

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 taxes levied for general elementary and secondary public school purposes, (1) a $140,000 exemption of the appraised value of all residence homesteads (increased from $100,000 to $140,000 effective from and after the 2025 tax year; see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 Legislative Session" herein), (2) an additional $60,000 exemption of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled (increased from $10,000 to $60,000 effective from and after the 2025 tax year; see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 Legislative Session" herein), and (3) various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty. See Tables 1 and 3 in "APPENDIX A – FINANCIAL INFORMATION REGARDING THE DISTRICT" for the reduction in taxable valuation attributable to state mandated homestead exemptions.

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 a general optional homestead exemption (described in (1) above) that was granted in tax year 2022 through December 31, 2027.

State Mandated Freeze on School District Taxes

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

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

Personal Property

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

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

Freeport and Goods-in-Transit Exemptions

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

Certain goods, that are acquired in or imported into the State to be forwarded to another location within or outside of the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or outside of 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 retail 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.

Other Exempt Property

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

Temporary Exemption for Qualified Property Damaged by a Disaster

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

Tax Increment Reinvestment Zones

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

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

Tax Limitation Agreements

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

Tax Abatement Agreements

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

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

District and Taxpayer Remedies

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

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

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

Levy and Collection of Taxes

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

District's Rights in the Event of Tax Delinquencies

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

Except with respect to taxpayers who are 65 years of age or older, at any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property.

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

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

THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT

The appraisal of property within the District is the collective responsibility of the Appraisal District. FBCAD and HCAD are each governed by their respective board of directors, which are comprised of five (5) directors appointed by voters of the governing bodies of various political subdivisions in each respective county, three (3) directors elected by popular vote, and the County Tax Assessor-Collector who serves as an ex-officio director. The District's taxes are collected by FBCAD.

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

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

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

The District grants a local-option additional exemption of 20% of the market value of residence homesteads with a minimum exemption of $5,000.

The District does not grant a local-option additional exemption of $10,000 for persons 65 years of age and older and the disabled.

The District does not tax non-business personal property.

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

The District grants a Freeport Property exemption.

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

The District is currently not a participant in any tax increment reinvestment zone.

The District is currently not a participant in any tax abatement or tax limitation agreements.

Charges for penalties and interest on the unpaid balance of delinquent taxes are as follows:

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

After July, the penalty remains at 12%, and interest accrues at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid. A delinquent tax continues to accrue interest as long as the tax remains unpaid, regardless of whether a judgment for the delinquent tax has been rendered. The purpose of imposing such interest penalty is to compensate the taxing unit for revenue lost because of the delinquency. In addition, an additional penalty of 20% may be assessed on July 1 in order to defray attorney collection expenses.

Property within the District is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process which uses pricing information contained in the most recently published Early Release Overview of the Annual Energy Outlook published by the United States Energy Information Administration, as well as appraisal formulas developed by the State Comptroller of Public Accounts. Taxes become due October 1 (or when billed, whichever is later) of the same year, and generally become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first installment due February 1 of each year and the final due on August 1. Split payments of taxes are not permitted. Discounts for the early payment of taxes are not permitted.

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

Litigation Relating to the Texas Public School Finance System

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

On May 13, 2016, the Court issued its opinion in *Morath, et.al v. The Texas Taxpayer and Student Fairness Coalition, et al.,* No. 14-0776 (Tex. May 13, 2016) ("*Morath I*"). The plaintiffs and intervenors in the case had alleged that the Finance System, as modified by the Legislature in part in response to prior decisions of the Court, violated article VII, section 1 and article VIII, section 1-e of the Texas Constitution. In its opinion, the Court held that "[d]espite the imperfections of the current school funding regime, it meets minimum constitutional requirements." The Court also noted that:

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

Current Litigation Relating to the Texas Public School Finance System

On July 22, 2026, Midland Independent School District, together with certain individual taxpayer plaintiffs, 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. (Case No. D-1-GN-26-006002), against Mike Morath, in his official capacity as Commissioner of Education, and the State of Texas ("*Morath II*"). The suit is an original action for declaratory judgment and challenges the constitutionality of the Finance System.

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

Possible Effects of Changes in Law on District Bonds

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

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

Overview

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

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

2025 Texas Legislative Sessions

The regular session of the 89th Texas Legislature commenced on January 14, 2025 and concluded on June 2, 2025 (the "89th Regular Session"). The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor of Texas (the "Governor") may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda.

During the 89th Regular Session, the Legislature adopted a general appropriations act and legislation affecting the Finance System and ad valorem taxation procedures and exemptions, and investments, among other legislation affecting school districts and the administrative agencies that oversee school districts. 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 or 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 the current $2,500 to $125,000. Additionally, the Legislature passed legislation authorizing roughly $8.5 billion in funding for public schools and providing districts with a $55 per-student increase to their base funding beginning September 1, 2025, as well as additional funding for teacher and staff salaries, educator preparation, special education, safety requirements and early childhood learning. Finally, legislation passed by the Legislature created an Education Savings Account ("ESA") Program (commonly referred to as vouchers) for students that attend private schools or are homeschooled. The legislation became effective September 1, 2025, when the State fiscal biennium began, though families will not receive ESA funds until the 2026-2027 school year. The amount spent for purposes of the program for the 2026-2027 biennium may not exceed $1 billion. Beginning on September 1, 2027, the legislation requires the Legislature to reappropriate funds for the program for each subsequent State fiscal biennium. Such program could impact attendance in the District by incentivizing students to homeschool or attend private schools, which could negatively affect the District's attendance-based funding.

The District is still in the process of reviewing legislation passed during the 89th Regular Session. At this time, the District cannot make any representations as to the full impact of such legislation. Further, the District can make no representations or predictions regarding the scope of legislation that may be considered in any special session or future session of the Legislature or the potential impact of such legislation at this time, 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. The formulas for the State Compression Percentage and Maximum Compressed Tax Rate (each as described below) are designed to compress M&O tax rates in response to year-over-year increases in property values across the State and within a school district, respectively. The discussion in this subcaption "Local Funding For School Districts" is generally intended to describe funding provisions applicable to all school districts; however, there are distinctions in the funding formulas for school districts that generate local M&O tax revenues in excess of the school districts' funding entitlements, as further discussed under the subcaption "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Revenue Level In Excess of Entitlement" herein.

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

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

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

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

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

State Funding for School Districts

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

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

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

The Basic Allotment for 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 supplemented for all school districts by various weights to account for differences among school districts and their student populations. Beginning in the 2026-27 school year, special education funding is provided through a service-intensity model, with the Commissioner establishing eight tiers of intensity and at least four service groups to determine funding levels based on the type and intensity of services students receive, rather than categorical placement. Additional allotments also support students who: (i) are diagnosed with dyslexia or a related disorder, (ii) are economically disadvantaged, or (iii) have limited English language proficiency. Additional allotments to mitigate differences among school districts include, but are not limited to: (i) a transportation allotment for mileage associated with transporting students who reside two miles or more from their home campus, (ii) a fast growth allotment (for school districts in the top 25% of enrollment growth relative to other school districts), (iii) a college, career and military readiness allotment to further the State's goal of increasing the number of students who attain a postsecondary 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 change to 0.48 for districts in the top 40% of school districts for growth, 0.33 for districts in the middle 30% of school districts for growth and 0.18 for districts in the bottom 30% of school districts for growth. The fast growth allotment is limited to $320 million for each year of the 2026-2027 state fiscal biennium.

Tier Two. Tier Two supplements Tier One funding and provides two levels of enrichment with different guaranteed yields (i.e., Golden Pennies and Copper Pennies) depending on the school district's Enrichment Tax Rate. Golden Pennies generate a guaranteed yield equal to 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 Education Commissioner in accordance with rules adopted by the TEA before issuing the bonds to be paid with IFA State assistance. The total amount of debt service assistance over a biennium for which a school district may be awarded is limited to the lesser of (1) the actual debt service payments made by the school district in the biennium in which the bonds are issued; or (2) the greater of (a) $100,000 or (b) $250 multiplied by the number of students in ADA. The IFA is also available for lease-purchase agreements and refunding bonds meeting certain prescribed conditions. Once a school district receives an IFA award for bonds, it is entitled to continue receiving State assistance for such bonds without reapplying to the Education Commissioner. A school district may use additional state aid received from an IFA award only to pay the principal of and interest on the bonds for which the district received the aid. The guaranteed level of State and local funds per student per cent of local tax effort applicable to the bonds may not be reduced below the level provided for the year in which the bonds were issued. For the 2026-2027 State fiscal biennium, the 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 the bonds of a school district are eligible for hold harmless funding from the State for local tax revenue lost as a result of an increase in the mandatory homestead exemption (see "State Funding For School Districts – Tax Rate and Funding Equity" below).

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

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

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

Local Revenue Level in Excess of Entitlement

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

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

Options for Local Revenue Levels in Excess of Entitlement. Under Chapter 49, a school district has six 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 Education Commissioner to delay the date of the election otherwise required to be ordered before September 1. The Education Commissioner shall set a date by which each district that receives approval to delay an election must order the election and requires the Education 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 Education 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 Education Commissioner of the district's election to pay through a lump sum not later than March 15, 2026.

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

The School Finance System as Applied to the District

For the 2025-2026 fiscal year, the District was designated as an "excess local revenue" district by the TEA and was subject to recapture and, therefore, the District was required to exercise one of the wealth equalization options permitted under applicable State law. The District reduced its wealth per student pursuant to Option 3, an agreement to purchase attendance credits pursuant to Chapter 49, Texas Education Code, as amended (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Revenue Level in Excess of Entitlement" herein).

A district's "excess local revenue" must be tested for each future school year and, if it exceeds the maximum permitted level, must be reduced by exercise of one of the permitted wealth equalization options. Accordingly, if the District's wealth per student should exceed the maximum permitted level in future school years, it will 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.

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

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

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").

I&S Tax Rate Limitations

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

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

Public Hearing and Voter-Approval Tax Rate

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

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

The Voter-Approval Tax Rate for a school district is the sum of (i) the school district's MCR; (ii) the greater of (a) the school district's Enrichment Tax Rate for the preceding year 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.

EMPLOYEES BENEFIT PLAN

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") and is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2019 through 2025.

Contributors to the plan include members, employers, and the State 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. The contribution rates for 2024 and 2025 are as follows: Active Employee 8.25%, the State 8.25% and Employers 8.25%. The following are the contribution amounts made in the District's fiscal year 2025: member contributions $2,388,794, District Employer contributions $1,481,468 and State contributions $1,403,866.

The District also contributes to a retiree health care plan through 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 TRS. TRS Care provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. In addition to the TRS retirement plan, the District participates in the State health insurance plan to provide health care coverage for its employees.

For a discussion of the TRS retirement plan, TRS Care and the District's medical benefit plan, see Note 4 in the audited financial statements of the District that are attached hereto as "APPENDIX E – AUDITED FINANCIAL STATEMENT FOR THE YEAR ENDED AUGUST 31, 2025 – NOTE 4".

In June 2012, Government Accounting Standards Board (GASB) Statement No. 68 (Accounting and Financial Reporting for Pensions) was issued to improve accounting and financial reporting by state and local governments regarding 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. This means that reporting entities, such as the District, that contribute to the TRS pension plan will report a liability on the face of their government-wide financial statements. GASB Statement No. 68 applies only to pension benefits and does not apply to Other Post-Employment Benefits (OPEB) or TRS Care related liabilities.

As a result of its participation in the TRS and having no other post-retirement benefit plans, the District has no obligations for other post-employment benefits within the meaning of Governmental Accounting Standards Board Statement 45.

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

RATINGS

The Bonds are rated "Aaa" by Moody's Investors Service, Inc. ("Moody's") based upon the guaranteed repayment thereof under the Permanent School Fund Guarantee Program of the Texas Education Agency. Moody's generally rates all bond issues guaranteed by the corpus of the Permanent School Fund of the State of Texas "Aaa" (see "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" and "APPENDIX C – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").

The District's unenhanced, underlying rating (without consideration of the Permanent School Fund Guarantee) on the Bonds is "A3" by Moody's.

An explanation of the significance of such ratings may be obtained from Moody's. The ratings reflect only the view of Moody's and the District makes no representation as to the appropriateness of such ratings. The ratings are not a recommendation to buy, sell or hold the Bonds, and such ratings on the Bonds may be subject to revision or withdrawal at any time by Moody's. Any downward revision or withdrawal of the rating on the Bonds may have an adverse effect on the market price of the Bonds.

In addition, due to the ongoing uncertainty regarding the economy and debt of the United States of America, including, without limitation, general economic conditions and political developments that may affect the financial condition of the United States government, the United States debt limit, and bond and credit ratings of the United States and its instrumentalities, the ratings of obligations issued by state and local governments, such as the Bonds, could be adversely affected.

LEGAL MATTERS

The District will furnish the Underwriter a complete transcript of proceedings had incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas as to the Bonds 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 legal opinion of Bond Counsel to like effect, the form of which opinion is attached to this Official Statement as APPENDIX D. Though it represents the Municipal Advisor and the Underwriter from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the District in connection with the issuance of the Bonds. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds which would affect the provision made for their payment or security, or in any manner questioning the validity of said Bonds will also be furnished. In its capacity as Bond Counsel, Orrick, Herrington & Sutcliffe LLP was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under the captions and subcaptions "THE BONDS" (excluding the information under the subcaptions "Payment Record," "Permanent School Fund Guarantee" and "Sources and Uses of Funds"), "REGISTRATION, TRANSFER AND EXCHANGE," "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS," "CURRENT PUBLIC SCHOOL

FINANCE SYSTEM," "TAX RATE LIMITATIONS – M&O Tax Rate Limitations" (first sentence only), "TAX MATTERS," "CONTINUING DISCLOSURE OF INFORMATION" (excluding the information under the subcaption "Compliance with Prior Undertakings"), "REGISTRATION AND QUALIFICATION OF BONDS FOR SALE," "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," and "LEGAL MATTERS" (excluding the last sentence of the first paragraph thereof) in this Official Statement and such firm is of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions is an accurate description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the provisions of the Authorizing Documents. Certain legal matters will be passed upon for the Underwriter by its counsel, Troutman Pepper Locke LLP, Dallas, Texas, whose legal fees are contingent upon the sale and delivery of the Bonds.

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

TAX MATTERS

Interest on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Bonds.

The following discussion summarizes certain U.S. federal income tax considerations generally applicable to holders of the Bonds that acquire their Bonds in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Prospective investors should note that no rulings have been or are expected to be sought from the U.S. Internal Revenue Service (the "IRS") with respect to any of the U.S. federal income tax considerations discussed below, and no assurance can be given that the IRS will not take contrary positions. Further, the following discussion does not deal with U.S. tax consequences applicable to any given investor, nor does it address the U.S. tax considerations applicable to all categories of investors, some of which may be subject to special taxing rules (regardless of whether or not such investors constitute U.S. Holders), such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their Bonds as part of a hedge, straddle or an integrated or conversion transaction, investors whose "functional currency" is not the U.S. dollar, or certain taxpayers that are required to prepare certified financial statements or file financial statements with certain regulatory or governmental agencies. Furthermore, it does not address (i) alternative minimum tax consequences, (ii) the net investment income tax imposed under Section 1411 of the Code, or (iii) the indirect effects on persons who hold equity interests in a holder. This summary also does not consider the taxation of the Bonds under state, local or non-U.S. tax laws. In addition, this summary generally is limited to U.S. tax considerations applicable to investors that acquire their Bonds pursuant to this offering for the issue price that is applicable to such Bonds (i.e., the price at which a substantial amount of the Bonds are sold to the public) and who will hold their Bonds as "capital assets" within the meaning of Section 1221 of the Code.

The following discussion does not address tax considerations applicable to any investors in the Bonds other than investors that are U.S. Holders. As used herein, "U.S. Holder" means a beneficial owner of a Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust). As used herein, "Non-U.S. Holder" generally means a beneficial owner of a Bond (other than a partnership) that is not a U.S. Holder. If a partnership holds Bonds, the tax treatment of such partnership or a partner in such partnership generally will depend upon the status of the partner and upon the activities of the partnership. Partnerships holding Bonds, and partners in such partnerships, should consult their own tax advisors regarding the tax consequences of an investment in the Bonds (including their status as U.S. Holders or Non-U.S. Holders).

Prospective investors should consult their own tax advisors in determining the U.S. federal, state, local or non-U.S. tax consequences to them from the purchase, ownership and disposition of the Bonds in light of their particular circumstances.

U.S. Holders

<u>Interest.</u> Interest on the Bonds generally will be taxable to a U.S. Holder as ordinary interest income at the time such amounts are accrued or received, in accordance with the U.S. Holder's method of accounting for U.S. federal income tax purposes.

To the extent that the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds) by more than a de minimis amount, the difference may constitute original issue discount ("OID"). U.S. Holders of Bonds will be required to include OID in income for U.S. federal income tax purposes as it accrues, in accordance with a constant yield method based on a compounding of interest (which may be before the receipt of cash payments attributable to such income). Under this method, U.S. Holders generally will be required to include in income increasingly greater amounts of OID in successive accrual periods.

Bonds purchased for an amount in excess of the principal amount payable at maturity (or, in some cases, at their earlier call date) will be treated as issued at a premium. A U.S. Holder of a Bond issued at a premium may make an election, applicable to all debt securities purchased at a premium by such U.S. Holder, to amortize such premium, using a constant yield method over the term of such Bond.

Sale or Other Taxable Disposition of the Bonds. Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, retirement (including pursuant to an offer by the District) or other disposition of a Bond will be a taxable event for U.S. federal income tax purposes. In such event, in general, a U.S. Holder of a Bond will recognize gain or loss equal to the difference between (i) the amount of cash plus the fair market value of property received (except to the extent attributable to accrued but unpaid interest on the Bond, which will be taxed in the manner described above) and (ii) the U.S. Holder's adjusted U.S. federal income tax basis in the Bond (generally, the purchase price paid by the U.S. Holder for the Bond, decreased by any amortized premium, and increased by the amount of any OID previously included in income by such U.S. Holder with respect to such Bond). Any such gain or loss generally will be capital gain or loss. In the case of a non-corporate U.S. Holder of the Bonds, the maximum marginal U.S. federal income tax rate applicable to any such gain will be lower than the maximum marginal U.S. federal income tax rate applicable to ordinary income if such U.S. holder's holding period for the Bonds exceeds one year. The deductibility of capital losses is subject to limitations.

Defeasance of the Bonds. If the District defeases any Bond, the Bond may be deemed to be retired and "reissued" for U.S. federal income tax purposes as a result of the defeasance. In that event, in general, a holder will recognize taxable gain or loss equal to the difference between (i) the amount realized from the deemed sale, exchange or retirement (less any accrued qualified stated interest which will be taxable as such) and (ii) the holder's adjusted U.S. federal income tax basis in the Bond.

Information Reporting and Backup Withholding. Payments on the Bonds generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate U.S. Holder of the Bonds may be subject to backup withholding at the current rate of 24% with respect to "reportable payments," which include interest paid on the Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against the U.S. Holder's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain U.S. holders (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. A holder's failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

Non-U.S. Holders

Interest. Subject to the discussions below under the headings "Information Reporting and Backup Withholding" and "Foreign Account Tax Compliance Act ("FATCA")—U.S. Holders and Non-U.S. Holders," payments of principal of, and interest on, any Bond to a Non-U.S. Holder, other than (1) a controlled foreign corporation described in Section 881(c)(3)(C) of the Code, and (2) a bank which acquires such Bond in consideration of an extension of credit made pursuant to a loan agreement entered into in the ordinary course of business, will not be subject to any U.S. federal withholding tax provided that the beneficial owner of the Bond provides a certification completed in compliance with applicable statutory and regulatory requirements, which requirements are discussed below under the heading "Information Reporting and Backup Withholding," or an exemption is otherwise established.

Disposition of the Bonds. Subject to the discussions below under the headings "Information Reporting and Backup Withholding" and "Foreign Account Tax Compliance Act ("FATCA,")—U.S. Holders and Non-U.S. Holders," any gain realized by a Non-U.S. Holder upon the sale, exchange, redemption, retirement (including pursuant to an offer by the District or a deemed retirement due to defeasance of the Bond) or other disposition of a Bond generally will not be subject to U.S. federal income tax, unless (i) such gain is effectively connected with the conduct by such Non-U.S. Holder of a trade or business within the United States; or (ii) in the case of any gain realized by an individual Non-U.S. Holder, such holder is present in the United States for 183 days or more in the taxable year of such sale, exchange, redemption, retirement (including pursuant to an offer by the District) or other disposition and certain other conditions are met.

Information Reporting and Backup Withholding. Subject to the discussion below under the heading "Foreign Account Tax Compliance Act ("FATCA")—U.S. Holders and Non-U.S. Holders," under current U.S. Treasury Regulations, payments of principal and interest on any Bonds to a holder that is not a United States person will not be subject to any backup withholding tax requirements if the beneficial owner of the Bond or a financial institution holding the Bond on behalf of the beneficial owner in the ordinary course of its trade or business provides an appropriate certification to the payor and the payor does not have actual knowledge that the certification is false. If a beneficial owner provides the certification, the certification must give the name and address of such owner, state that such owner is not a United States person, or, in the case of an individual, that such owner is neither a citizen nor a resident of the United States, and the owner must sign the certificate under penalties of perjury. The current backup withholding tax rate is 24%.

Foreign Account Tax Compliance Act ("FATCA")—U.S. Holders and Non-U.S. Holders

Sections 1471 through 1474 of the Code impose a 30% withholding tax on certain types of payments made to foreign financial institutions, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, FATCA imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial U.S. owner. Under current guidance, failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of interest on the Bonds. In general, withholding under FATCA currently applies to payments of U.S. source interest (including OID) and, under current guidance, will apply to certain "passthru" payments no earlier than the date that is two years after publication of final U.S. Treasury Regulations defining the term "foreign passthru payments." Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

The foregoing summary is included herein for general information only and does not discuss all aspects of U.S. federal taxation that may be relevant to a particular holder of Bonds in light of the holder's particular circumstances and income tax situation. Prospective investors are urged to consult their own tax advisors as to any tax consequences to them from the purchase, ownership and disposition of Bonds, including the application and effect of state, local, non-U.S., and other tax laws.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Under the Texas Public Security Procedures Act (Texas Government Code, Chapter 1201), the Bonds (i) are negotiable instruments, (ii) are investment securities to which Chapter 8 of the Texas Business and Commerce Code applies, and (iii) are legal and authorized investments for (A) an insurance company, (B) a fiduciary or trustee, or (C) a sinking fund of a municipality or other political subdivision or public agency of the State of Texas. The Bonds are eligible to secure deposits of any public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), 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 "RATINGS" herein). In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least $1 million of capital and savings and loan associations.

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

INVESTMENT POLICIES

Investments

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

See "APPENDIX A – FINANCIAL INFORMATION REGARDING THE DISTRICT – Table 10" for summary information on the District's current investments.

Legal Investments

Under State law, the District is authorized to make investments meeting the requirements of the Public Funds Investment Act (Chapter 2256, Texas Government Code) (the "PFIA"), which currently include: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund (the "NCUSIF") or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this state and selected by the District in compliance with the PFIA, (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the District's account, (iii) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States, and (iv) the District appoints as its custodian of the banking deposits, in compliance with the PFIA, the institution in clause (8)(i) above, a bank, or a broker-dealer; (9) certificates of deposit and share certificates meeting the requirements of the PFIA (i) that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8), above, or secured in accordance with Chapter 2257, Texas Government Code, or in any other manner and amount provided by law for District deposits, or (ii) where (a) the funds are invested by the District through a broker or institution that has a main office or branch office in the State and selected by the District in compliance with the PFIA, (b) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the account of the District, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (d) the District appoints, in compliance with the PFIA, the institution in clause (9)(ii)(a) above, a bank, or broker-dealer as custodian for the District with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described by clauses (1) or (12), which are pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with a stated maturity of 270 days or less from date of issuance, will be liquidated in full at maturity, are eligible for collateral for borrowing from a Federal Reserve Bank, and, if the short-term obligations of the accepting bank, or of the holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less from the date of issuance that is rated at least A-1 or P-1 or an equivalent by either (i) two nationally recognized credit rating agencies, or (ii) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission and provides the District with a prospectus required by the Securities Exchange Act of 1934 and complies with Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are registered and regulated by the Securities and Exchange Commission that have a weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations approved in this paragraph, or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1), excluding obligations which the District is explicitly prohibited from investing in, and in an amount at least equal to the amount of bond proceeds invested under such contract and is pledged to the District and deposited to the District or third party selected by the District; (16) aggregate repurchase agreement transactions entered into by an investing entity in conformity with the provisions of subsections (a-1), (f), and (g) of Section 2256.011 of the PFIA; and (17) securities lending programs if (i) the securities loaned under the program are 100% collateralized, including accrued income, (ii) a loan made under the program allows for termination at any time, (iii) a loan made under the program is either secured by (a) obligations described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent, or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool, (iv) the terms of a loan made under the program require that the securities being held as collateral be pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party designated by the District, (v) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State, and (vi) the agreement to lend securities has a term of one year or less.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAAm" or an equivalent by at least one nationally recognized rating service.

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

Under State law, the District may contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term of up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance or resolution. The District has not contracted with, and has no present intention of contracting with, any such investment management firm or the Texas Securities Board to provide such services.

Investment Policies

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

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

Additional Provisions

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

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

Subject to satisfying certain conditions, the payment of the Bonds will be guaranteed by the corpus of the Permanent School Fund of the State of Texas. In the event of default, registered owners will receive all payments due on the Bonds from the Permanent School Fund. See "APPENDIX C – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" for pertinent information regarding the Permanent School Fund Guarantee Program. The disclosure regarding the Permanent School Fund Guarantee Program in APPENDIX C is incorporated herein and made a part hereof for all purposes.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

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

It is the obligation of the Underwriter to register or qualify the sale of the Bonds under the securities laws of any jurisdiction which so requires. The District agrees to cooperate, at the Underwriter's written request and 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.

CONTINUING DISCLOSURE OF INFORMATION

In the Order Levying Taxes, 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 an "obligated person" with respect to the Bonds, within the meaning of the Securities and Exchange Commission's Rule 15c2-12 (the "Rule"). Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access ("EMMA") system. See "APPENDIX C – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" for a description of the TEA's continuing disclosure undertaking to provide certain updated financial information and operating data annually with respect to the Permanent School Fund and the State of Texas, as the case may be, and to provide timely notice of certain specified events related to the guarantee of the Permanent School Fund to the MSRB as such relates to the Bonds.

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement in "APPENDIX A – FINANCIAL INFORMATION REGARDING THE DISTRICT" (Tables 1-6 and 8-10) and in APPENDIX E.

The District will update and provide the information in "APPENDIX A – FINANCIAL INFORMATION REGARDING THE DISTRICT" (Tables 1-10) within six months after the end of each fiscal year ending in and after 2026 and, if not submitted as part of the annual financial information, the District will provide audited financial statements when and if available, and in any event, within 12 months after the end of each fiscal year ending in and after 2026. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the District will file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX E or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation.

The District's current fiscal year end is August 31. Accordingly, the District must provide updated information included in "APPENDIX A – FINANCIAL INFORMATION REGARDING THE DISTRICT" (Tables 1-10) by the last day of February in each year and audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available) by August 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will file notice of the change (and of the date of the new fiscal year end) with the MSRB prior to the next date by which the District otherwise would be required to provide financial information and operating data as set forth above.

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

Notice of Certain Events

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

For these purposes, any event described in the subsection (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

The term "Financial Obligation" shall mean, for purposes of the events described in clauses (15) and (16) above, a (i) debt obligation; (ii) derivative instrument entered into in connection with or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term "Financial Obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule. Additionally, the District intends the words used in clauses (15) and (16) of the preceding paragraphs to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

Availability of Information

The District has agreed to provide the foregoing information only to the MSRB. The information will be available to holders of Bonds free of charge through the MSRB's EMMA system.

Limitations and Amendments

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

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

Compliance with Prior Undertakings

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

LITIGATION

The District is not a party to any litigation or other proceeding pending or to its knowledge, threatened, in any court, agency or other administrative body (either state or federal) which, if decided adversely to the District, would have a material adverse effect on the financial condition or operations of the District. At the time of the initial delivery of the Bonds, the District will provide the Underwriter 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 said Bonds.

VERIFICATION OF ARITHMETICAL COMPUTATIONS

The Verification Agent, a firm of independent certified public accountants, will deliver to the District, on or before the settlement date of the Bonds, its verification report indicating that it has verified, in accordance with the Statement on Standards for Consulting Services established by the American Institute of Certified Public Accountants, the mathematical accuracy of the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Escrowed Securities, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Bonds.

The Verification Agent relied on the accuracy, completeness and reliability of all information provided to it by and on all decisions and approvals of the District. In addition, the Verification Agent has relied on any information provided to it by the District's retained advisors, consultants or legal counsel. The Verification Agent was not engaged to perform audit or attest services under AICPA auditing or attestation standards or to provide any form of attest report or opinion under such standards in conjunction with this engagement. The verification report will be relied upon by Bond Counsel in rendering their opinions with respect to the defeasance of the Refunded Bonds.

CYBERSECURITY

Computer networks and data transmission and collection are vital to the operations of the District. Information technology and infrastructure of the District may be subject to attacks by outside or internal hackers and may be subject to breach by employee error, negligence or malfeasance. An attack or breach could compromise systems and the information stored thereon, result in the loss of confidential or proprietary data and disrupt the operations of the District. To mitigate these risks, the District continuously endeavors to improve the range of control for digital information operations, enhancements to the authentication process, and additional measures toward improving system protection/security posture, including required training for District staff and administration. To date, the District has not been the victim of any cyber-attack that has had a material adverse effect on its operations or financial condition.

WEATHER EVENTS

The District is located near the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by hurricanes, tropical storms, and other tropical disturbances. The greater Houston area, including the District, has experienced multiple storms exceeding a 0.2% probability (i.e., "500-year flood" event) since 2015. Several of these storms resulted in damages to District facilities or damages to residential and commercial properties in the District that comprise the District's ad valorem tax base. If a future weather event significantly damages all or part of the properties comprising the tax base within the District, the assessed value of property within the District could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase in the District's tax rate. Under certain conditions, Texas law allows school districts to increase property tax rates without voter approval upon the occurrence of certain disasters such as floods and upon a gubernatorial or presidential declaration of disaster (see "TAX RATE LIMITATIONS – Public Hearing and Voter Approval Tax Rate"). There can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood or other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District or be sufficient for such purposes. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District could be adversely affected.

EXPOSURE TO OIL AND GAS INDUSTRY

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

MUNICIPAL ADVISOR

In its role as Municipal Advisor, RBC Capital Markets, LLC has relied on the District for certain information concerning the District and the Bonds. The Municipal Advisor is not obligated to undertake and has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement. The fee of the Municipal Advisor for services with respect to the Bonds is contingent upon the issuance and sale of the Bonds. In the normal course of business, the Municipal Advisor may also, from time to time, receive a fee to conduct a competitive bidding process regarding the investment of certain proceeds of the Bonds, upon the request of the District.

UNDERWRITING

The Underwriter has agreed, subject to certain customary conditions, to purchase the Bonds at a price equal to the initial offering prices to the public, as shown on page ii, less an Underwriter's discount of $22,488.43. The Underwriter's obligations are subject to certain conditions precedent, and they will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices and such public prices may be changed, from time to time, by the Underwriter.

The Underwriter has provided the following sentences for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. The Underwriter and its affiliates have provided, and may in the future provide, a variety of these services to the District and to persons and entities with relationships with the District, for which they received or will receive customary fees and expenses.

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

SAMCO Capital Markets Inc., the Underwriter, 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 STATEMENT

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

MISCELLANEOUS

In accordance with the Authorizing Documents, the Pricing Officer approved, for and on behalf of the District, (i) the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and (ii) the Underwriter's use of this Official Statement in connection with the public offering and the sale of the Bonds in accordance with the provisions of the Rule.

/s/ Dr. Adam Stephens
Pricing Officer
Stafford Municipal School District

SCHEDULE I

SCHEDULE OF BONDS TO BE REFUNDED

Unlimited Tax School Building Bonds, Series 2018

Original Dated Date	Original Principal Amount	Total Principal Amount Outstanding	Maturity Being Refunded	Principal Amount Outstanding	Principal Amount Being Refunded	Principal Amount Remaining Outstanding	Redemption Date
3/15/2018	$ 48,210,000	$ 42,940,000	8/15/2043 [A]	$ 9,445,000	$ 3,015,000	$ 6,430,000	8/15/2028
TOTAL AMOUNT				**$ 9,445,000**	**$ 3,015,000**	**$ 6,430,000**	

[A] Represents sinking fund installment of a Term Bond maturing on August 15, 2043.

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APPENDIX A

FINANCIAL INFORMATION REGARDING THE DISTRICT

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FINANCIAL INFORMATION REGARDING THE STAFFORD MUNICIPAL SCHOOL DISTRICT

TABLE 1 - SELECTED FINANCIAL INFORMATION

2026/27 Certified Taxable Assessed Valuation	$	4,576,514,321 [a]

DIRECT DEBT

I&S Debt Outstanding (as of September 1, 2026)	$	82,612,000
Less: The Refunded Bonds	$	(3,015,000)
Plus: The Bonds	$	3,015,000
Less: Debt Service Fund Balance (Unaudited as of September 1, 2026)	$	(8,650,490)
Net Direct Debt	$	73,961,510
Ratio of Net Direct Debt to Certified Taxable Assessed Valuation		1.62%

2026 Population Estimate		23,503 [b]
Per Capita Net Direct Debt	$	3,147
Per Capita Assessed Valuation	$	194,720
Enrollment: 2025/26		3,532 [c]
Per Student Net Direct Debt	$	20,940
Per Student Assessed Valuation	$	1,295,729

2025/26 TAX RATE

Local Maintenance Tax Rate	$	0.78690
Debt Service Tax Rate		0.21522
TOTAL	$	1.00212

ANNUAL UNLIMITED TAX DEBT SERVICE REQUIREMENTS

Average Annual Debt Service (FY2027 - FY2049)	$	5,220,366
Maximum Annual Debt Service (FY2027)	$	9,517,285

AVERAGE PERCENTAGE OF FISCAL YEAR TAX COLLECTIONS (FY2021 - FY2025)

Current Collections	98.68%
Total Collections	98.29%

AD VALOREM TAX BONDS AND AUTHORIZED BUT UNISSUED

The District currently has no authorized but unissued unlimited tax bonds.

PENSION FUND LIABILITY

The Teachers Retirement System of Texas generally is charged with the responsibility of administering pension funds for all school district employees. The State and the individual employee participate in the retirement system on a joint basis, and each local district is responsible only for funding contributions for salary amounts in excess of the State foundation level.

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[a] Source: Fort Bend Central Appraisal District (“FBCAD") and District records. Certified value, net of exemptions, and includes property values under review. Includes value of property which is "frozen" at lower values for homesteads of taxpayers 65 years or older, their surviving spouses and disabled taxpayers. Certified values are subject to change throughout the year as contested values are resolved and the FBCAD updates records. While a small portion of the District is located in Harris County, the related taxable valuations comprise a de minimis amount and are not included herein. The 2026/27 certified value includes approximately $416.9 million in value that remains under ARB review.
[b] Source: Municipal Advisory Council of Texas (the "MAC").
[c] Source: The District. Enrollment figures as of October 30, 2025.

TABLE 2 - TAX RATE DISTRIBUTION

Fiscal Year	2025/26	2024/25	2023/24	2022/23	2021/22	2020/21
Local Maintenance	$0.78690	$0.78690	$0.81270	$0.85460	$0.91390	$0.96640
Debt Service	0.21522	0.21522	0.21522	0.24470	0.25590	0.25591
TOTAL	**$1.00212**	**$1.00212**	**$1.02792**	**$1.09930**	**$1.16980**	**$1.22231**

Source: District's Audited Financial Statements and District records.

TABLE 3 - PROPERTY TAX RATES AND COLLECTIONS

Tax Year	Taxable Assessed Valuation[(a)]	Tax Rate	Tax Levy[(b)]	Current Collections Amount	Current Collections %		Total Collections Amount	Total Collections %		Fiscal Year Ending
2020	$2,791,336,810	$1.22231	$34,791,222	$34,286,394	98.55%		$34,654,671	99.61%		8/31/2021
2021	3,017,559,583	1.16980	35,299,412	35,021,927	99.21%		35,340,433	100.12%		8/31/2022
2022	3,701,381,516	1.09930	40,689,287	40,139,122	98.65%		40,048,417	98.42%		8/31/2023
2023	3,819,007,102	1.02792	39,255,574	38,683,805	98.54%		37,963,321	96.71%		8/31/2024
2024	4,229,071,140	1.00212	42,380,410	41,720,795	98.44%		40,934,773	96.59%		8/31/2025
	Five Year Average Collections...				**98.68%**			**98.29%**		
2025	$4,537,998,117	$1.00212	$45,159,418	$41,450,386	91.79%	(c)	$41,450,386	91.79%	(c)	8/31/2026

(a) Historical Taxable Assessed Valuation figures come from the District's Audited Financial Statements and reflect adjusted values.
(b) Tax Levy reflects adjusted levy for the fiscal year as reported in District's Audited Financial Statements. Except for current fiscal year, which comes from the District's budget.
(c) Partial Collections as of June 30, 2026.

TABLE 4 - CLASSIFICATION OF ASSESSED VALUATION[a]

Property Breakdown	2026/27 Tax Roll[b] Amount	%	2025/26 Tax Roll Amount	%	2024/25 Tax Roll Amount	%
Land	$ 1,107,890,281	18.08	$ 1,041,254,077	18.10	$ 1,019,261,780	17.82
Improvements	3,497,840,940	57.07	3,365,606,186	58.49	3,265,484,198	57.09
Personal Property	1,523,365,292	24.85	1,347,279,462	23.41	1,434,652,947	25.08
Total Appraised Value	$ 6,129,096,513	100.00	$ 5,754,139,725	100.00	$ 5,719,398,925	100.00
Less: Exemptions	(1,552,582,192)		(1,216,141,608)		(1,490,327,785)	
Taxable Assessed Value	**$ 4,576,514,321**		**$ 4,537,998,117**		**$ 4,229,071,140**	

[a] Source: FBCAD and District records. Certified value, net of exemptions, and includes property values under review. Includes value of property which is "frozen" at lower values for homesteads of taxpayers 65 years or older, their surviving spouses and disabled taxpayers. Certified values are subject to change throughout the year as contested values are resolved and the FBCAD updates records. While a small portion of the District is located in Harris County, the related taxable valuations comprise a de minimis amount and are not included herein.
[b] Certified TAV for FY2026/27 includes approximately $416.9 million in value that remains under ARB review.

TABLE 5 - TOP TEN TAXPAYERS

PRINCIPAL TAXPAYERS AND THEIR 2025 ASSESSED VALUES

Name of Taxpayer	Type of Property	Taxable Assessed Valuation	% TAV
DPEG Fountains LP	Strip Mall/Plaza	$ 83,335,968	1.84%
OHT Grid LLC	Apartments	77,929,734	1.72%
Cardinal Health 110 LLC	Pharmacy	76,343,654	1.68%
Jimbo Grid I LLC	Apartments	67,871,541	1.50%
Jimbo Grid II LLC	Apartments	67,105,849	1.48%
CH Realty IX-JLB MF Houston Stafford	Apartments	66,064,887	1.46%
Weatherford Farms DC LP	Wholesale Supplier	56,356,199	1.24%
CIVF VII - TX2B02-B03 LLC	Wholesale Supplier	54,619,920	1.20%
CPT Sugar Grove LP	Apartments	46,174,745	1.02%
CMS Reserve LP	Apartments	43,732,007	0.96%
Total		**$ 639,534,504**	**14.09%**

PRINCIPAL TAXPAYERS AND THEIR 2024 ASSESSED VALUES

Name of Taxpayer	Type of Property	Taxable Assessed Valuation	% TAV
Cardinal Health 110 LLC	Pharmacy	$ 188,979,436	4.40%
DPEG Fountains LP	Strip Mall/Plaza	85,250,304	1.99%
Jimbo Grid I LLC	Apartments	75,063,947	1.75%
Jimbo Grid II LLC	Apartments	72,891,373	1.70%
CH Realty IX-JLB	Real Estate	54,174,475	1.26%
CPT Sugar Grove LP	Apartments	49,992,173	1.17%
CMS Reserve LP	Apartments	49,003,000	1.14%
CIVF VII	Apartments	48,032,484	1.12%
OHT Grid LLC	Apartments	47,660,000	1.11%
Weatherford Farms	Wholesale Supplier	45,493,633	1.06%
Total		**$ 716,540,825**	**16.70%**

PRINCIPAL TAXPAYERS AND THEIR 2023 ASSESSED VALUES

Name of Taxpayer	Type of Property	Taxable Assessed Valuation	% TAV
Cardinal Health 110 LLC	Pharmacy	$ 135,374,515	3.35%
DPEG Fountains LP	Strip Mall/Plaza	68,584,020	1.70%
Jimbo Grid I LLC	Apartments	68,432,000	1.69%
Jimbo Grid II LLC	Apartments	65,000,000	1.61%
CMS Reserve LP	Apartments	46,853,669	1.16%
Vroom Automotive LLC	Car Dealership	46,358,067	1.15%
CH Realty IX-JLB MF Houston Stafford	Apartments	45,175,576	1.12%
Stafford 59 & Airport LP	Wholesale Supplier	42,958,503	1.06%
Graybar Electric	Industrial Manufacturing	41,167,459	1.02%
CPT Sugar Grove LP	Apartments	41,117,189	1.02%
Total		**$ 601,020,998**	**14.87%**

Source: The Municipal Advisory Council of Texas, FBCAD and District records. Top Ten Taxpayers for FY26/27 are not yet available.

TABLE 6 - OUTSTANDING UNLIMITED TAX DEBT SERVICE REQUIREMENTS

Fiscal Year End (8/31)	Outstanding Debt Service[(a)] Principal	Outstanding Debt Service[(a)] Interest	Less: Refunded Debt Service	Plus: The Bonds Principal	Plus: The Bonds Interest	Total Debt Service	
2026	$ 3,210,000.00	$ 3,590,326.40	$ -	$ -	$ -	$ 6,800,326	(b)
2027	2,985,000.00	3,422,576.40	(150,750.00)	2,985,000.00	119,459.08	9,517,285	(c)
2028	3,100,000.00	3,312,076.40	(150,750.00)	10,000.00	1,367.00	6,272,693	
2029	1,612,000.00	3,172,926.40	(150,750.00)	10,000.00	920.00	4,645,096	
2030	3,435,000.00	3,093,676.40	(150,750.00)	10,000.00	465.00	6,388,391	
2031	3,600,000.00	2,921,926.40	(150,750.00)	-	-	6,371,176	
2032	3,770,000.00	2,755,326.40	(150,750.00)	-	-	6,374,576	
2033	3,940,000.00	2,583,226.40	(150,750.00)	-	-	6,372,476	
2034	4,120,000.00	2,403,226.40	(150,750.00)	-	-	6,372,476	
2035	4,305,000.00	2,214,876.40	(150,750.00)	-	-	6,369,126	
2036	4,455,000.00	2,065,255.80	(150,750.00)	-	-	6,369,506	
2037	4,630,000.00	1,894,068.00	(150,750.00)	-	-	6,373,318	
2038	3,915,000.00	1,715,763.00	(150,750.00)	-	-	5,480,013	
2039	4,050,000.00	1,574,890.80	(150,750.00)	-	-	5,474,141	
2040	4,200,000.00	1,428,901.40	(150,750.00)	-	-	5,478,151	
2041	4,350,000.00	1,277,190.60	(150,750.00)	-	-	5,476,441	
2042	3,970,000.00	1,119,900.00	(150,750.00)	-	-	4,939,150	
2043	4,165,000.00	924,950.00	(3,165,750.00)	-	-	1,924,200	
2044	4,370,000.00	720,400.00	-	-	-	5,090,400	
2045	4,545,000.00	545,600.00	-	-	-	5,090,600	
2046	4,725,000.00	363,800.00	-	-	-	5,088,800	
2047	3,450,000.00	174,800.00	-	-	-	3,624,800	
2048	450,000.00	36,800.00	-	-	-	486,800	
2049	470,000.00	18,800.00	-	-	-	488,800	
TOTAL	**$ 85,822,000.00**	**$ 43,331,283.60**	**$ (5,577,750.00)**	**$ 3,015,000.00**	**$ 122,211.08**	**$ 126,868,745**	

Average Annual Debt Service (FY2027 - FY2049)………………………………………………………………………… $ 5,220,366

Maximum Annual Debt Service (FY2027)... $ 9,517,285

(a) Debt service requirements are presented on a September 1 - August 31 fiscal year basis and do not include the District's outstanding maintenance tax note debt service - see TABLE 8 - OUTSTANDING MAINTENANCE TAX NOTE DEBT SERVICE.
(b) The District is planning to defease $430,000 in principal from its Series 2016B Bonds on August 27, 2026. The debt service for FY2026 does not reflect the issuer contribution to the defeasance. The debt service for FY2027 - FY2049 reflects debt service after the cash defeasance.
(c) FY2027 proforma debt service includes the issuer contribution to the Bonds for costs of issuance related to the Bonds.

TABLE 7 - ESTIMATED OVERLAPPING GENERAL OBLIGATION DEBT STATEMENT

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in "Texas Municipal Reports," published by the Municipal Advisory Council of Texas (the "MAC"). Except for the amounts relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the dates stated in this table, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance and/or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes.

Taxing Body	Gross Tax Debt Amount	As of	% Overlapping	Overlapping Debt
Fort Bend Co	$ 1,152,335,706	7/31/2026	3.36%	$ 38,718,480
Fort Bend Co Drainage Dist	20,585,000	7/31/2026	3.36%	691,656
Fort Bend Co WC&ID # 2 (Defined Area)	15,440,000	7/31/2026	100.00%	15,440,000
Fort Bend Co WC&ID #2	200,410,000	7/31/2026	65.53%	131,328,673
Harris Co	2,473,177,553	7/31/2026	0.00% [a]	-
Harris Co Dept of Ed	28,960,000	7/31/2026	0.00% [a]	-
Harris Co Flood Control Dist	937,165,000	7/31/2026	0.00% [a]	-
Harris Co Hosp Dist	1,644,825,000	7/31/2026	0.00% [a]	-
Port of Houston Authority	386,074,397	7/31/2026	0.00% [a]	-
Stafford, City of	-	7/31/2026	100.00%	-
Total Overlapping Debt				**$ 186,178,809**
Stafford Municipal School District…………	$ 78,621,510 [b]	9/1/2026	100.00%	$ 78,621,510 [b]
Total Direct and Overlapping Debt				**$ 264,800,319**
Ratio Direct and Overlapping Debt to Taxable Assessed Valuation …………………………………………				5.835%

Source: The Municipal Advisory Council of Texas.
[a] Less than 0.01% overlap.
[b] Includes the Bonds and outstanding maintenance tax notes. Excludes the Refunded Bonds.

TABLE 8 - OUTSTANDING MAINTENANCE TAX DEBT SERVICE REQUIREMENTS

Fiscal Year End (8/31)	Outstanding Debt Service Principal	Interest	Total
2027	$ 180,000	$ 191,060	$ 371,060
2028	185,000	183,680	368,680
2029	4,295,000	176,095	4,471,095
TOTAL	**$ 4,660,000**	**$ 550,835**	**$ 5,210,835**

TABLE 9 - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

GENERAL FUND

	Fiscal Year Ended August 31,				
	2025	2024	2023	2022	2021
Revenues:					
Local intermediate sources	$ 34,368,497	$ 31,984,639	$ 32,578,663	$ 29,928,194	$ 28,128,203
State program revenues	7,975,866	8,338,262	6,225,228	4,231,597	6,090,381
Federal program revenues	516,529	852,430	699,750	450,577	478,994
Total	$ 42,860,892	$ 41,175,331	$ 39,503,641	$ 34,610,368	$ 34,697,578
Expenditures:					
Instruction & Instructional Related Services	$ 23,048,455	$ 22,048,789	$ 24,071,234	$ 23,503,899	$ 20,715,411
Instructional & School Leadership	3,702,358	3,198,116	3,603,791	3,260,577	3,532,097
Support Services – Student	3,782,487	3,430,941	3,917,484	3,562,593	3,676,068
General Administration	2,371,432	2,387,029	2,693,568	2,494,549	2,119,342
Support Services – Non Student	6,553,451	5,726,497	6,141,529	6,077,895	5,941,784
Debt Service	818,557	404,311	271,189	94,687	-
Capital Outlay	-	116,300	-	-	764,384
Intergovernmental Charges	2,064,627	1,946,181	1,924,569	248,807	313,175
Total	$ 42,341,367	$ 39,258,164	$ 42,623,364	$ 39,243,007	$ 37,062,261
Revenues Over (Under) Expenditures	$ 519,525	$ 1,917,167	$ (3,119,723)	$ (4,632,639)	$ (2,364,683)
Other Sources (Uses)					
Other Sources	$ -	$ 282,199	$ 309,956	$ -	$ -
Other (Uses)	-	-	-	(211,962)	-
Total	$ -	$ 282,199	$ 309,956	$ (211,962)	$ -
Fund Balance 9/1	**$ 3,793,107**	**$ 1,818,884**	**$ 4,728,651**	**$ 10,974,010**	**$ 13,338,693**
Prior Period Adjustment	$ (432,741)	$ (225,143)	$ (100,000)	$ (1,400,758)	$ -
Fund Balance 8/31	**$ 3,879,891**	**$ 3,793,107**	**$ 1,818,884**	**$ 4,728,651**	**$ 10,974,010**

DEBT SERVICE FUND

	Fiscal Year Ended August 31,				
	2025	2024	2023	2022	2021
Revenues	$ 9,504,518	$ 8,630,655	$ 9,353,125	$ 7,854,056	$ 7,344,936
Expenditures	$ 6,805,601	$ 8,822,889	$ 9,257,439	$ 7,128,877	$ 7,133,326
Other Sources (Uses)	$ -	$ -	$ -	$ -	$ -
Revenues Over (Under) Expenditures	$ 2,698,917	$ (192,234)	$ 95,686	$ 725,179	$ 211,610
Fund Balance 9/1	**$ 3,538,914**	**$ 3,731,148**	**$ 3,635,462**	**$ 2,910,283**	**$ 2,698,673**
Fund Balance 8/31	**$ 6,237,831**	**$ 3,538,914**	**$ 3,731,148**	**$ 3,635,462**	**$ 2,910,283**

Source: District's Audited Financial Statements.
[(a)]The financial information contained in this table relates to the District only and does not include the City's financial information.

TABLE 10 - CURRENT INVESTMENTS

As of May 31, 2026, the District's investable funds were invested as follows:

Description of Investment	Book Value	Percentage
TexPool Investment Pool[(a)]	$ 25,665,113	89.37%
TexSTAR Investment Pool[(a)]	733,971	2.56%
LOGIC Investment Pool[(a)]	48,265	0.17%
Frost Bank Deposit Fund	2,271,288	7.91%
Total	**$ 28,718,637**	**100.00%**

[(a)] TexPool, TexSTAR and LOGIC are pooled investment funds that operate pursuant to Chapter 2256, Texas Government Code, as amended. TexPool, TexSTAR and LOGIC operate as money market equivalent, in a manner consistent with the SEC's Rule2a-7 under the Investment Company Act of 1940.

APPENDIX B

GENERAL INFORMATION REGARDING THE DISTRICT

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APPENDIX B

GENERAL INFORMATION REGARDING THE DISTRICT

GENERAL INFORMATION

The Stafford Municipal School District (the "District") encompasses approximately seven (7) square miles and is located in Fort Bend and Harris Counties, Texas, approximately twenty-five (25) miles southwest of downtown Houston. The District is bisected by U.S. Highway 59 and U.S. Highway 90A and includes the City of Stafford (the "City"), with a 2025 estimated population of 18,043. The City's 2020 census population was 17,666, a 0.15% decrease from 2010. Fort Bend County (the "County") was created in 1837 and organized in 1838. The County is located in the coastal plains of southeast Texas, with Harris County bordering on the Northeast. The County's economic base includes technology, petrochemicals, government and agribusiness.

*Source: Texas Municipal Advisory Council.

HISTORY AND GOVERNANCE OF THE DISTRICT

In 1977, following a disannexation election, Stafford Municipal School District was created out of Fort Bend ISD and Houston ISD. The disannexation was the result of a grass roots movement to create a small, community-based school system.

After passage of the election creating the District, the City of Stafford spent five (5) years in federal and state courts in the pursuit of creating the District. The Fifth Circuit Court of Appeals ruled in favor of the Stafford community and the District was formed. Becoming a municipal school district instead of an independent school district, the school partnered with the City in ways that increased the efficiency of the tax dollar for Stafford residents and businesses.

In the fall of 1982, the elementary school opened to the District's first 547 students in a leased warehouse. Grades six through eleven were added the following year, bringing the total student enrollment to 1,057. Seniors were added the next year. In 2000, the new intermediate school was added to the District facilities on Staffordshire.

The District currently includes a primary school, an elementary school, an intermediate school, a middle school, a high school and a student adjustment center. The District is also a member of the Fort Bend County Juvenile Justice Alternative Educational Placement program. The District serves approximately 3,500 students and provides a full range of educational services appropriate to grade levels Pre-K through 12. Educational services include regular and enriched academic education, special education for children with special needs, career and technology education, and programs for students with limited English proficiency. These programs are supplemented by a wide variety of offerings in fine arts and athletics.

The District has a separately elected Board and is a separate legal entity from the City, however, the City is required to approve the District's tax rate and budget and any debt issuance made by the District (including the Bonds). Under this state law, the Board of Trustees and the City Council are required to jointly hold any hearing required by law as a condition for the adoption of an annual budget and imposition of an ad valorem tax.

Pursuant to Section 11.303, Texas Education Code, the annual budget of the District and the ad valorem tax to be imposed by the District must be approved by an affirmative vote of (i) a majority of the members of the Board present and voting; and (ii) at least three-quarters of the total of the voting members of the Board and the City Council that are present and voting. However, if a quorum of the members of the City Council is not present, the Board may adopt a budget or an ad valorem tax rate without regard to these requirements. After such a determination, City Council shall adopt an ordinance providing for the levy and assessment of the tax approved pursuant to either of the above-mentioned procedures.

ADMINISTRATION

During the FY2025-26 academic year, the District employed 515 persons, of which 312 are in the professional field, 55 are administrative personnel and 148 are support personnel. Principal leadership of the District includes:

Dr. Adam Stephens	*Superintendent of Schools*
Dr. Kadir Almus	*Chief Academic Officer*
Berzayda Ochoa	*Chief of Schools*
Dovran Ovezov, CPA	*Chief Financial Officer*
Tonnis Hilliard	*Chief of Human Resources*

STUDENT ENROLLMENT DATA

Historical Total Enrollment

School Year	Total Enrollment	Increase/ (Decrease)	% of Increase/ (Decrease)
2016/2017	3,539	139	4.09%
2017/2018	3,609	70	1.98%
2018/2019	3,586	(23)	-0.64%
2019/2020	3,512	(74)	-2.06%
2020/2021	3,316	(196)	-5.58%
2021/2022	3,513	197	5.94%
2022/2023	3,604	91	2.59%
2023/2024	3,479	(125)	-3.47%
2024/2025	3,488	9	0.26%
2025/2026	3,532	44	1.26%

Projected Enrollment Data

School Year	Enrollment	Increase/ (Decrease)	% of Increase/ (Decrease)
2026/2027	3,537	5	0.14%
2027/2028	3,547	10	0.28%
2028/2029	3,557	10	0.28%

Historical Enrollment by Grade

School Year	EE	PK	K	1	2	3	4	5	6	7	8	9	10	11	12	Total
2016/2017	7	162	233	239	258	282	263	245	283	260	264	331	240	240	232	3,539
2017/2018	7	172	240	271	241	272	286	247	292	276	251	301	281	243	229	3,609
2018/2019	6	168	217	243	255	247	275	282	282	272	270	297	270	265	237	3,586
2019/2020	6	155	240	221	244	251	251	262	262	285	257	298	268	265	247	3,512
2020/2021	-	131	195	218	212	236	241	241	276	259	262	256	268	271	250	3,316
2021/2022	6	222	224	203	219	241	246	270	279	293	266	306	250	235	253	3,513
2022/2023	6	251	235	226	189	258	247	256	272	301	293	294	295	227	254	3,604
2023/2024	4	215	189	220	203	198	258	241	264	272	301	314	294	270	236	3,479
2024/2025	4	215	200	177	224	239	196	259	286	272	271	275	308	279	283	3,488
2025/2026	11	203	214	189	167	258	239	223	305	303	278	269	279	297	297	3,532

APPENDIX C

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

APPENDIX C

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	20245
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 made to the ASF by the SBOE; see the immediately preceding table for amounts of direct SLB distributions to the ASF. In addition, the PSF Corp approved transfers of $600 million per year directly to the ASF for fiscal biennium 2026-27.

PSF Corporation Strategic Asset Allocation

The PSFC Board sets the asset allocation policy for the Fund, including determining the available asset classes for investment and approving target percentages and ranges for allocation to each asset class, with the goal of delivering a long-term risk adjusted return through all economic and market environments. The IPS includes a combined asset allocation for all Fund assets 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):

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.

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Comparative Investment Schedule – PSF(CORP)

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

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

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

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

Investment Schedule - PSF(SLB)([1]

Fair Value (in millions) August 31, 2025

Investment Type	As of 8-31-25	
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	

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[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.

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The School District Bond Guarantee Program

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

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

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

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

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

The Charter District Bond Guarantee Program

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

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

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

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

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

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

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

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

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

Capacity Limits for the Guarantee Program

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

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

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

Changes in SBOE-determined multiplier for State Capacity Limit

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

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

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

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

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

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

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

2017 Legislative Changes to the Charter District Bond Guarantee Program

The CDBGP Capacity is established by the Act. During the 85th Texas Legislature, which concluded on May 29, 2017, Senate Bill 1480 ("SB 1480") was enacted. SB 1480 amended the Act to modify how the CDBGP Capacity is established effective as of September 1, 2017, and made other substantive changes to the Charter District Bond Guarantee Program. Prior to the enactment of SB 1480, the CDBGP Capacity was calculated as the Capacity Limit <u>less</u> 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 <u>prior to</u> 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[2]	47,047,688,784	62,766,382,537
2025[2]	50,832,583,937	66,549,781,438

[1] SLB managed assets are included in the market value and book value of the Fund. In determining the market value of the PSF from time to time during a fiscal year, the current, unaudited values for PSF investment portfolios and cash held by the SLB are used. With respect to SLB managed assets shown in the table above, market values of land and mineral interests, internally managed real estate, investments in externally managed real estate funds and cash are based upon information reported to the PSF Corporation by the SLB. The SLB reports that information to the PSF Corporation on a quarterly basis. The valuation of such assets at any point in time is dependent upon a variety of factors, including economic conditions in the State and nation in general, and the values of these assets, and, in particular, the valuation of mineral holdings administered by the SLB, can be volatile and subject to material changes from period to period.
[2] At August 31, 2025, mineral assets, sovereign lands, other lands, and discretionary internal investments, had book values of approximately $13.4 million, $0.8 million, $37.3 million, and $830.7 million, respectively, and market values of approximately $4,872.7 million, $279.8 million, $153.1 million, and $989.2 million, respectively.

Permanent School Fund Guaranteed Bonds

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

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

Permanent School Fund Guaranteed Bonds by Category[1]

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

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

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

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

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

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

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

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

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

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

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

PSF Continuing Disclosure Undertaking

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

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

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

Annual Reports

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

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

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

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

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

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

Event Notices

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

Availability of Information

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

Limitations and Amendments

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

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

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

Compliance with Prior Undertakings

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

SEC Exemptive Relief

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

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APPENDIX D

FORM OF LEGAL OPINION OF BOND COUNSEL

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Orrick, Herrington & Sutcliffe LLP
609 MAIN STREET
40TH FLOOR
Houston, TX 77002

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orrick.com

September 15, 2026

We have acted as bond counsel to the Stafford Municipal School District (the "District") in connection with the issuance of $3,015,000 aggregate principal amount of bonds designated as "Stafford Municipal School District Unlimited Tax Refunding Bonds, Taxable Series 2026" (the "Bonds"). The Bonds are authorized by an ordinance adopted by the City Council of Stafford, Texas (the "City Council") acting on behalf of Stafford Municipal School District (the "District") on August 11, 2026 (the "Bond Ordinance"); an order levying taxes adopted by the Board of Trustees (the "Board") of the District on August 11, 2026 (the "Order Levying Taxes"); and the pricing certificate executed of the date of the sale of the Bonds finalizing the terms thereof (the "Pricing Certificate" and, together with the Bond Ordinance, the "Ordinance"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Ordinance.

We have acted as Bond Counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas. In such capacity, we have examined the Constitution and laws of the State of Texas; the Ordinance; the Order Levying Taxes; and a transcript of certain certified proceedings pertaining to the issuance of the Bonds and the bonds that are being refunded (the "Refunded Bonds") with the proceeds of the Bonds as described in the Ordinance. The transcript contains certified copies of certain proceedings of the District and Bank of New York Mellon Trust Company, N.A. (the "Escrow Agent"); the report (the "Report") of Robert Thomas CPA LLC, which verifies the sufficiency of the deposit made with the Escrow Agent and certain other matters related to the defeasance of the Refunded Bonds and the mathematical accuracy of certain computations of the yield on the Bonds and the obligations acquired with the proceeds of the Bonds; certain certifications and representations and other material facts within the knowledge and control of the District, upon which we rely; and certain other customary documents and instruments authorizing and relating to the issuance of the Bonds and the firm banking and financial arrangements for the discharge and final payment of the Refunded Bonds. We have also examined executed Bond No. R-1.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the District. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Ordinance. We call attention to the fact that the rights and obligations under the Bonds and the Ordinance and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against issuers in the State of Texas. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. We have not assumed any responsibility with respect to the financial condition or capabilities of the District or the disclosure thereof in connection with the sale of the Bonds. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the offering material relating to the Bonds, if any, and express no opinion with respect thereto.

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

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

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

3. The escrow agreement between the District and the Escrow Agent (the "Escrow Agreement") has been duly executed and delivered and constitutes a binding and enforceable agreement in accordance with its terms; the establishment of the Escrow Fund pursuant to the Escrow Agreement and the deposit made therein constitute the making of firm banking and financial arrangements for the discharge and final payment of the Refunded Bonds; in reliance upon the accuracy of the calculations contained in the Report, the Refunded Bonds, having been discharged

and paid, are no longer outstanding and the lien on and pledge of ad valorem taxes and other revenues, if any, as set forth in the order(s) authorizing their issuance will be appropriately and legally defeased; the holders of the Refunded Bonds may obtain payment of the principal of, redemption premium, if any, and interest on the Refunded Bonds only out of the funds provided therefor now held in escrow for that purpose by the Escrow Agent pursuant to the terms of the Escrow Agreement; and therefore the Refunded Bonds are deemed to be fully paid and no longer outstanding, except for the purpose of being paid from the funds provided therefor in such Escrow Agreement.

4. Interest on the Bonds is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. We express no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Bonds.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

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APPENDIX E

ANNUAL FINANCIAL REPORT FOR YEAR ENDING AUGUST 31, 2025

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Annual Financial Report

For the Fiscal Year Ended August 31, 2025

STAFFORD MUNICIPAL SCHOOL DISTRICT

1633 Staffordshire Rd Stafford, Texas 77477

Prepared by the Finance Department:

Dovran Ovezov, CPA
Chief Financial Officer

STAFFORD MUNICIPAL SCHOOL DISTRICT
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CERTIFICATE OF BOARD

Stafford Municipal School District	**Fort Bend**	**079 - 910**
Name of School District	County	Co. - Dist. No.

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and __X__ approved ______ disapproved for the fiscal year ended August 31, 2025, at a meeting of the Board of Trustees of such school district on February 17, 2026.

President of the Board

Vice President of the Board

FINANCIAL SECTION

whitleypenn

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3737 Buffalo Speedway
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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Stafford Municipal School District

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the 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 the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining nonmajor fund financial statements, required Texas Education Agency (TEA) schedules, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

To the Board of Trustees
Stafford Municipal School District

The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements, required TEA schedules, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Schedule L-1 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2026 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Whitley Penn LLP

Houston, Texas
February 17, 2026

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

Financial Highlights

- The assets and deferred outflows of resources of the District were exceeded by its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $23,823,410 *(deficit net position).* Of this amount, $20,173,491 *(unrestricted net position)* was in a deficit due to the recording of other post-employment benefit liabilities.
- The District's total net position increased by $1,586,357 from current operations.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of $13.88 million, an increase of $5.87 million from the previous year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was $3.32 million, or 7.8% of total general fund expenditures.

Overview of the Financial Statements

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

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

The *Statement of Net Position (Exhibit A-1)* presents information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is changing.

The *Statement of Activities (Exhibit B-1)* presents information showing how the District's net position changed during the year. Changes in net position are reported upon occurrence of the underlying event giving rise to the change, *regardless of the timing of related cash flows.* Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and incurred by unpaid workers' compensation benefits).

The government-wide financial statements of the District are principally supported by taxes and intergovernmental revenues *(governmental activities)*. The governmental activities of the District include the following: Instruction, Instructional Resources And Media Services, Curriculum And Staff Development, Instructional Leadership, School Leadership, Guidance, Counseling, And Evaluation Services, Social Work Services, Health Services, Student Transportation, Food Service, Extracurricular Activities, General Administration, Plant Maintenance And Operations, Security And Monitoring Services, Data Processing Services, Community Services, Interest On Long-Term Debt, Contracted Instructional Services Between Schools, Payments Related To Shared Services Arrangements, and Other Intergovernmental Charges.

***Fund Financial Statements*.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, as do other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The District maintains 21 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation titled total nonmajor governmental funds.

The District adopts an annual revenue and appropriations budget for its general fund, debt service fund, and school breakfast and national school lunch fund. All other governmental funds adopt project length budgets. Subsequent to adoption, amendments approved by the governing body are reflected in a revised budget column. A budgetary comparison statement has been provided for the general fund, debt service fund and the national school breakfast and lunch program special revenue fund to demonstrate compliance with its budget.

Proprietary Funds. The District maintains two enterprise funds, which consist of the Daycare Program and Community Center. Enterprise funds, a type of proprietary fund, are used to report on other activity for which a fee is charged to external users for goods or services. Enterprise funds are included within the business-type activities in the government-wide financial statements.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of students. The District's custodial fund is used to account for resources held in a custodial capacity by the District and consists of funds that are the property of students or others. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs.

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

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. The required supplementary information relates to comparison of the original adopted budget, the final amended budget, and the actual amounts for the fiscal year. This is required supplementary information for the general fund and any major special revenue fund. The required supplementary information also provides information on the District's cost-sharing multiple employer pension and OPEB plan of which the District is a participant.

Supplementary and Other Information. The combining fund financial statements and required Texas Education Agency schedules are presented immediately following the required supplementary information.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. In the case of the District, assets and deferred outflows of resources were exceeded by liabilities and deferred inflows of resources by $23,823,410, after an increase in net position of $1,586,357 during the fiscal year and a restatement which decreased beginning net position by $1,297,587.

Stafford Municipal School District's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2025	2024 *	2025	2024	2025	2024 *
Current assets	$ 18,594,764	$ 14,149,351	$ (43,586)	$ (19,518)	$ 18,551,178	$ 14,129,833
Capital assets	82,350,610	85,476,143	-	-	82,350,610	85,476,143
Total Assets	100,945,374	99,625,494	(43,586)	(19,518)	100,901,788	99,605,976
Total Deferred Outflows of Resources	13,279,421	16,577,036	-	-	13,279,421	16,577,036
Current liabilities	2,922,194	4,654,796	243	4,019	2,922,437	4,658,815
Noncurrent liabilities	124,160,525	124,017,830	-	-	124,160,525	124,017,830
Total Liabilities	127,082,719	128,672,626	243	4,019	127,082,962	128,676,645
Total Deferred Inflows of Resources	10,921,657	11,974,522	-	-	10,921,657	11,974,522
Net Position						
Net investment in capital assets	(10,759,383)	(10,016,495)	-	-	(10,759,383)	(10,016,495)
Restricted	7,109,464	4,778,135	-	-	7,109,464	4,778,135
Unrestricted	(20,129,662)	(19,206,258)	(43,829)	(23,537)	(20,173,491)	(19,229,795)
Total Net Position	$ (23,779,581)	$ (24,444,618)	$ (43,829)	$ (23,537)	$ (23,823,410)	$ (24,468,155)

* The 2024 governmental activities amounts for capital assets, current liabilities, and net position are restated above for corrections of errors – see Note 4-G for more information.

Deficit net investment in capital assets of a negative $10.8 million reflects the District's investment of $82.35 million in capital assets less related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position of $7.1 is restricted for debt service and grants.

The remaining balance, deficit *unrestricted net position* of $20,173,491 is a result of the negative impact from the District's pension and other post-employment benefit liabilities.

Governmental Activities. Governmental activities increased the District's deficit net position by $1,606,649 from current operations due to increases in instructional expenses.

Business-type Activities. Net position of the District's business-type activities decreased by $20,292 for the year ended August 31, 2025 due to operations of the District's Daycare Program and Community Center.

Stafford Municipal School District's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2025	2024 *	2025	2024	2025	2024 *
Program Revenues						
Charges for services	$ 878,966	$ 839,723	$ 258,522	$ 252,789	$ 1,137,488	$ 1,092,512
Operating grants and contributions	7,099,537	9,481,238	-	-	7,099,537	9,481,238
General Revenues						
Property taxes:						
Levied for general purpose	32,628,515	30,411,846	-	-	32,628,515	30,411,846
Levied for debt service	8,952,861	8,065,223	-	-	8,952,861	8,065,223
State-aid formula grants	6,196,763	6,438,909	-	-	6,196,763	6,438,909
Interest earnings	1,038,194	865,162	8	-	1,038,202	865,162
Other	982,572	673,790	-	-	982,572	673,790
Total Revenues	57,777,408	56,775,891	258,530	252,789	58,035,938	57,028,680
Expenses						
Instruction	26,553,253	27,888,402	-	-	26,553,253	27,888,402
Instructional resources and media services	341,598	381,145	-	-	341,598	381,145
Curriculum and staff development	972,453	790,316	-	-	972,453	790,316
Instructional leadership	1,836,398	1,898,901	-	-	1,836,398	1,898,901
School leadership	2,327,917	2,313,522	-	-	2,327,917	2,313,522
Guidance, counseling, and evaluation services	1,748,775	1,654,456	-	-	1,748,775	1,654,456
Social work services	54,482	21,583	-	-	54,482	21,583
Health services	429,054	380,626	-	-	429,054	380,626
Student transportation	1,106,374	1,160,183	-	-	1,106,374	1,160,183
Food services	2,963,342	3,067,466	-	-	2,963,342	3,067,466
Extracurricular activities	1,533,452	1,390,342	-	-	1,533,452	1,390,342
General administration	2,797,485	2,918,380	-	-	2,797,485	2,918,380
Plant maintenance and operations	5,370,594	5,096,520	-	-	5,370,594	5,096,520
Security and monitoring services	877,739	801,774	-	-	877,739	801,774
Data processing services	990,655	878,498	-	-	990,655	878,498
Community services	275,405	374,850	-	-	275,405	374,850
Interest on long-term debt	3,927,156	3,426,098	-	-	3,927,156	3,426,098
Contracted Instructional Services	1,658,588	1,628,856	-	-	1,658,588	1,628,856
Payments related to shared services arrangements	23,411	23,830	-	-	23,411	23,830
Other intergovernmental charges	382,628	293,495	-	-	382,628	293,495
Daycare Program	-	-	252,032	242,903	252,032	242,903
Community Center	-	-	26,790	-	26,790	-
Total Expenses	56,170,759	56,389,243	278,822	242,903	56,449,581	56,632,146
Increase (Decrease) in Net Position	1,606,649	386,648	(20,292)	9,886	1,586,357	396,534
Beginning Net Position (Deficit), Restated	(25,386,230)	(24,831,266)	(23,537)	(33,423)	(25,409,767)	(24,864,689)
Ending Net Position (Deficit)	$ (23,779,581)	$ (24,444,618)	$ (43,829)	$ (23,537)	$ (23,823,410)	$ (24,468,155)

* The 2024 governmental activities amounts for operating grants and contributions and beginning net position are restated above for corrections of errors – see Note 4-G for more information.

Revenues are generated primarily from two sources: Property taxes of $41.58 million represent 72% of total revenues and grants and contributions of $13.30 million represent 23% of total revenues. The remaining 5% is generated from charges for services, investment earnings, and miscellaneous revenues.

The primary functional expenses of the District are instruction ($26.55 million or 47% of total expenses), plant maintenance and operations ($5.37 million or 10% of total expenses), interest on long-term debt ($3.93 million or 7% of total expenses), food services ($2.96 million or 5% of total expenses), and general administration ($2.80 million or 5% of total expenses). The remaining functional categories of expenses are individually less than 5% of total expenses.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of $13.88 million. This change includes an increase of $5.44 from current year activities and a restatement to beginning fund balances to decrease fund balance by $0.43 million.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance was $3.32 million and the total fund balance of the general fund was $3.88 million. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 7.8% of total general fund expenditures, while total fund balance represents 9.2% of that same total. Fund balance increased by $0.09 million from the previous year due to the implementation of more effective budget monitoring procedures and a restatement which decreased beginning fund balance by $0.43 million.

The debt service fund has a total fund balance of $6.24 million, all of which is restricted for the payment of debt service. Fund balance increased by $2.70 million from the prior year.

The capital projects fund has a total fund balance of $2.77 million, all of which is restricted for the capital projects. Fund balance increased by $3.02 million from the prior year due to the issuance of $5.0 million in Series 2024 Maintenance Tax Notes.

General Fund Budgetary Highlights

The District amends the budget as needed throughout the year. The following is a comparison of the original budget to the final amended budget for the general fund.

	Budget			Variance with
	Original	Final	Actual	Final Budget
Total revenues	$ 42,114,671	$ 42,114,671	$ 42,860,892	$ 746,221
Total expenditures	42,114,671	42,114,705	42,341,367	(226,662)
Net Change in Fund Balance	$ -	$ (34)	$ 519,525	$ 519,559

The most significant variations in the original budget to the final amended budget of the general fund were increases to the transportation budget by $210,000. Actual expenditures were more than the final amended budget by $226,662.

Capital Asset and Long-term Liabilities Administration

Capital Assets. The District's investment in capital assets for its governmental type activities as of August 31, 2025, amounts to $82.35 million (net of accumulated depreciation/amortization). This investment in capital assets includes land, construction in progress, buildings and improvements, vehicles, equipment, and the intangible right-to-use assets. Total capital assets, net of depreciation/amortization, decreased by $3,125,533 during the fiscal year.

Stafford Municipal School District's Capital Assets
(net of depreciation/amortization)

	Governmental Activities		
	2025	**2024**	**Change**
Land	$ 1,250,000	$ 1,250,000	$ -
Buildings and improvements	79,219,616	83,394,173	(4,174,557)
Vehicles	755,938	220,515	535,423
Equipment	1,084,062	383,016	701,046
Right to use assets (2024 restated)	40,994	228,439	(187,445)
Totals	$ 82,350,610	$ 85,476,143	$ (3,125,533)

Additional information on the District's capital assets can be found in notes to the financial statements as noted in the table of contents of this report.

***Long-term Liabilities*.** At year-end, the District had the following long-term liabilities:

Stafford Municipal School District's Outstanding Long-term Liabilities

	Governmental Activities		
	2025	**2024**	**Change**
General obligation bonds	$ 93,135,333	$ 96,667,685	$ (3,532,352)
Notes payable	4,835,000	-	4,835,000
Workers' compensation	94,610	81,015	13,595
Compensated absences	1,062,557	17,920	1,044,637
Leases payable	14,750	102,018	(87,268)
SBITAs payable (2024 restated)	13,831	103,980	(90,149)
Net pension liability	15,537,756	19,357,063	(3,819,307)
Net OPEB liability	9,466,688	7,688,149	1,778,539
Totals	$ 124,160,525	$ 124,017,830	$ 142,695

The District's net bonded debt decreased by $3,532,352 (3.7%) during the current fiscal year due to the scheduled payments of bond principal. The notes payable increased due to issuance of $5,000,000 in notes payable and the compensated absences liability increased due to implementation of GASB Statement No. 101, *Compensated Absences*.

The District's general obligation debt is backed by the full faith and credit of the District and, when eligible, is further guaranteed by the Texas Permanent School Fund Bond Guarantee Program. State statutes do not limit the tax rate or amount for the support of school districts' bonded indebtedness. However, approval by the Attorney General of the State of Texas is required prior to the sale of bonds Additional information on the District's long-term debt, net pension liability, and OPEB liability can be found in the notes to the financial statements as indicated in the table of contents of this report. Moody's Investors Service ("Moody's") provides an investor rating of "A3" to the District.

Economic Factors and Next Year's Budget and Rates

In preparation of its annual budget, the District's management considers various factors that drive school district's budgets; these include enrollment trends, property values, state funding, facility needs, and the economy.

The 2025-2026 fiscal year budget includes the following financial highlights:

- Estimated revenues of $44.2 million
- Estimated expenditures of $44.2 million
- M&O tax rate of $0.7869 per $100 valuation

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in this information. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Stafford Municipal School District, 1633 Staffordshire Road, Stafford, Texas 77477.

BASIC FINANCIAL STATEMENTS

STAFFORD MUNICIPAL SCHOOL DISTRICT

STATEMENT OF NET POSITION

August 31, 2025

Data Control Codes		Governmental Activities	Business-type Activities	Total
	Assets			
1110	Cash and cash equivalents	$ 13,473,809	$ -	$ 13,473,809
1220	Property taxes receivables, net	1,987,618	-	1,987,618
1230	Allowance for uncollectable taxes	(29,815)	-	(29,815)
1240	Due from other governments	3,067,257	-	3,067,257
1260	Internal balances	43,586	(43,586)	-
1290	Other receivables, net	41,916	-	41,916
1410	Prepaid items	10,393	-	10,393
	Capital assets not subject to depreciation:			
1510	Land	1,250,000	-	1,250,000
	Capital assets net of depreciation/amortization:			
1520	Buildings and improvements	79,219,616	-	79,219,616
1530	Furniture and equipment	1,840,000	-	1,840,000
1550	Right to use assets	40,994	-	40,994
1000	**Total Assets**	100,945,374	(43,586)	100,901,788
	Deferred Outflows of Resources			
	Deferred charge on refunding	1,512,517	-	1,512,517
	Deferred outflows - pension	5,433,335	-	5,433,335
	Deferred outflows - OPEB	6,333,569	-	6,333,569
1700	**Total Deferred Outflows of Resources**	13,279,421	-	13,279,421
	Liabilities			
2110	Accounts payable	748,378	243	748,621
2140	Interest payable	168,293	-	168,293
2160	Accrued wages payable	1,927,005	-	1,927,005
2180	Due to other governments	27,162	-	27,162
2190	Due to student groups	34,035	-	34,035
2200	Accrued expenses	13,594	-	13,594
2300	Unearned revenue	3,727	-	3,727
	Noncurrent Liabilities:			
2501	Due within one year	3,720,702	-	3,720,702
	Due in more than one year:			
2502	Bonds, compensated absences, claims	95,435,379	-	95,435,379
2540	Net pension liability	15,537,756	-	15,537,756
2545	Net OPEB liability	9,466,688	-	9,466,688
2000	**Total Liabilities**	127,082,719	243	127,082,962
	Deferred Inflows of Resources			
	Deferred inflows - pension	1,491,491	-	1,491,491
	Deferred inflows - OPEB	9,430,166	-	9,430,166
2600	**Total Deferred Inflows of Resources**	10,921,657	-	10,921,657
	Net Position (Deficit)			
3200	Net investment in capital assets	(10,759,383)	-	(10,759,383)
	Restricted for:			
3820	Federal and state programs	635,450	-	635,450
3850	Debt service	6,474,014	-	6,474,014
3900	Unrestricted	(20,129,662)	(43,829)	(20,173,491)
3000	**Total Net Position (Deficit)**	$ (23,779,581)	$ (43,829)	$ (23,823,410)

See notes to the financial statements.

STAFFORD MUNICIPAL SCHOOL DISTRICT

Exhibit B-1

STATEMENT OF ACTIVITIES

For the Year Ended August 31, 2025

			Program Revenue		Net (Expense) Revenue and Changes in Net Position — Primary Government		
Data Control Codes	Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total
	Primary Government						
	Governmental Activities:						
11	Instruction	$ 26,553,253	$ 15,380	$ 1,734,179	$ (24,803,694)		$ (24,803,694)
12	Instructional resources and media services	341,598	-	893	(340,705)		(340,705)
13	Curriculum and staff development	972,453	-	762,012	(210,441)		(210,441)
21	Instructional leadership	1,836,398	-	202,636	(1,633,762)		(1,633,762)
23	School leadership	2,327,917	-	7,865	(2,320,052)		(2,320,052)
31	Guidance, counseling, and evaluation services	1,748,775	-	611,787	(1,136,988)		(1,136,988)
32	Social work services	54,482	-	59,920	5,438		5,438
33	Health services	429,054	-	5,798	(423,256)		(423,256)
34	Student transportation	1,106,374	-	1,323	(1,105,051)		(1,105,051)
35	Food service	2,963,342	106,746	2,698,551	(158,045)		(158,045)
36	Extracurricular activities	1,533,452	407,660	4,574	(1,121,218)		(1,121,218)
41	General administration	2,797,485	-	162,973	(2,634,512)		(2,634,512)
51	Plant maintenance and operations	5,370,594	57,715	264,617	(5,048,262)		(5,048,262)
52	Security and monitoring services	877,739	-	248,153	(629,586)		(629,586)
53	Data processing services	990,655	-	2,073	(988,582)		(988,582)
61	Community services	275,405	291,465	21,700	37,760		37,760
72	Interest on long-term debt	3,927,156	-	310,483	(3,616,673)		(3,616,673)
91	Contracted instructional services between schools	1,658,588	-	-	(1,658,588)		(1,658,588)
93	Payments related to shared services arrangements	23,411	-	-	(23,411)		(23,411)
99	Other intergovernmental charges	382,628	-	-	(382,628)		(382,628)
TG	**Total Governmental Activities**	56,170,759	878,966	7,099,537	(48,192,256)		(48,192,256)
	Business-Type Activities:						
01	Daycare Program	252,032	248,940	-	-	$ (3,092)	(3,092)
02	Community Center	26,790	9,582	-	-	(17,208)	(17,208)
TB	**Total Business-Type Activities**	278,822	258,522	-	-	(20,300)	(20,300)
TP	**Total Primary Government**	$ 56,449,581	$ 1,137,488	$ 7,099,537	(48,192,256)	(20,300)	(48,212,556)
	General Revenues:						
	Taxes:						
MT	Property taxes, levied for general purposes				32,628,515	-	32,628,515
DT	Property taxes, levied for debt service				8,952,861	-	8,952,861
SF	State-aid formula grants				6,196,763	-	6,196,763
IE	Investment earnings				1,038,194	8	1,038,202
MI	Miscellaneous				982,572	-	982,572
TR	**Total General Revenues**				49,798,905	8	49,798,913
CN	Change in net position				1,606,649	(20,292)	1,586,357
NB	**Net Position (Deficit) - Beginning, as Previously Reported**				(24,088,643)	(23,537)	(24,112,180)
PA	Restatements				(1,297,587)	-	(1,297,587)
	Net Position (Deficit) - Beginning, as Restated				(25,386,230)	(23,537)	(25,409,767)
NE	**Net Position (Deficit) - Ending**				$ (23,779,581)	$ (43,829)	$ (23,823,410)

STAFFORD MUNICIPAL SCHOOL DISTRICT

Exhibit C-1

BALANCE SHEET
GOVERNMENTAL FUNDS
August 31, 2025

Data Control Codes		General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
	Assets					
1110	Cash and temporary investments	$ 4,574,744	$ 5,275,126	$ 3,431,398	$ 192,541	$ 13,473,809
	Receivables:					
1220	Property taxes - delinquent	1,576,982	410,636	-	-	1,987,618
1230	Allowance for uncollectible taxes (credit)	(23,655)	(6,160)	-	-	(29,815)
1240	Receivables from other governments	1,002,399	-	-	2,064,858	3,067,257
1260	Due from other funds	1,903,797	966,432	-	754,622	3,624,851
1290	Other receivables	41,916	-	-	-	41,916
1410	Prepaid items	10,393	-	-	-	10,393
1000	**Total Assets**	$ 9,086,576	$ 6,646,034	$ 3,431,398	$ 3,012,021	$ 22,176,029
	Liabilities, Deferred Inflows of Resources, and Fund Balances					
	Liabilities:					
2110	Accounts payable	$ 250,122	$ -	$ 54,994	$ 443,262	$ 748,378
2160	Accrued wages payable	1,808,499	-	-	118,506	1,927,005
2170	Due to other funds	1,533,540	-	609,217	1,438,508	3,581,265
2180	Payable to other governments	27,162	-	-	-	27,162
2190	Due to student groups	34,035	-	-	-	34,035
2200	Accrued expenditure	-	-	-	13,594	13,594
2300	Unearned revenue	-	3,727	-	-	3,727
2000	**Total Liabilities**	3,653,358	3,727	664,211	2,013,870	6,335,166
	Deferred Inflows of Resources:					
	Unavailable revenue - property taxes	1,553,327	404,476	-	-	1,957,803
2600	**Total Deferred Inflows of Resources**	1,553,327	404,476	-	-	1,957,803
	Fund Balances:					
	Nonspendable:					
3430	Prepaid items	10,393	-	-	-	10,393
	Restricted:					
3450	Grant restrictions	-	-	-	635,450	635,450
3470	Capital acquisitions	-	-	2,767,187	-	2,767,187
3480	Debt service	-	6,237,831	-	-	6,237,831
	Assigned:					
3570	Capital expenditures	550,000	-	-	-	550,000
3590	Other purposes	-	-	-	362,701	362,701
3600	Unassigned	3,319,498	-	-	-	3,319,498
3000	**Total Fund Balances**	3,879,891	6,237,831	2,767,187	998,151	13,883,060
4000	**Total Liabilities, Deferred Inflows of Resources, and Fund Balances**	$ 9,086,576	$ 6,646,034	$ 3,431,398	$ 3,012,021	$ 22,176,029

STAFFORD MUNICIPAL SCHOOL DISTRICT

Exhibit C-1R

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

August 31, 2025

Data Control Codes		
	Total Fund Balance, Governmental Funds	$ 13,883,060
	Amounts reported for governmental activities in the statement of net position are different because:	
	Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The governmental capital assets at year-end consist of:	
1	Governmental capital assets costs	190,822,959
2	Accumulated depreciation/amortization of governmental capital assets	(108,472,349)
3	Property taxes receivable, which will be collected subsequent to year-end, but are not available soon enough to pay expenditures and, therefore, are deferred in the funds.	1,957,803
	Long-term liabilities that are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
4	Bonds payable	(86,225,000)
5	Premium on bonds	(6,910,333)
6	Notes payable	(4,835,000)
7	Deferred charge on refunding	1,512,517
8	Accrued interest on the bonds	(168,293)
9	Leases payable	(14,750)
10	SBITAs payable	(13,831)
11	Compensated absences	(1,062,557)
12	Workers' compensation	(94,610)
13	Net pension liability	(15,537,756)
14	Net OPEB liability	(9,466,688)
15	Net deferred inflows/outflows of resources related to pension/OPEB	845,247
29	**Total Net Deficit - Governmental Activities**	$ (23,779,581)

STAFFORD MUNICIPAL SCHOOL DISTRICT

Exhibit C-2

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended August 31, 2025

Data Control Codes		General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
	Revenues					
5700	Local, intermediate, and out-of-state	$ 34,368,497	$ 9,194,035	$ 165,174	$ 446,078	$ 44,173,784
5800	State program revenues	7,975,866	310,483	-	849,574	9,135,923
5900	Federal program revenues	516,529	-	-	5,224,337	5,740,866
5020	**Total Revenues**	42,860,892	9,504,518	165,174	6,519,989	59,050,573
	Expenditures					
	Current:					
0011	Instruction	22,539,323	-	78,090	1,921,506	24,538,919
0012	Instruction resources and media services	301,492	-	-	-	301,492
0013	Curriculum and instructional staff development	207,640	-	-	730,539	938,179
0021	Instructional leadership	1,610,207	-	-	185,714	1,795,921
0023	School leadership	2,092,151	-	-	1,525	2,093,676
0031	Guidance, counseling and evaluation services	1,104,183	-	-	604,412	1,708,595
0032	Social work services	-	-	-	59,195	59,195
0033	Health services	382,198	-	-	2,774	384,972
0034	Student transportation	978,792	-	798,080	-	1,776,872
0035	Food services	-	-	-	2,955,674	2,955,674
0036	Extracurricular activities	1,317,314	-	7,849	84,465	1,409,628
0041	General administration	2,371,432	-	-	-	2,371,432
0051	Plant maintenance and operations	4,760,570	-	53,804	85,790	4,900,164
0052	Security and monitoring services	654,446	-	-	229,760	884,206
0053	Data processing services	903,553	-	367,512	5,176	1,276,241
0061	Community services	234,882	-	-	22,963	257,845
	Debt Service:					
0071	Principal on long-term debt	342,417	3,080,000	-	-	3,422,417
0072	Interest on long-term debt	476,140	3,720,726	-	-	4,196,866
0073	Other debt service fees	-	4,875	48,775	-	53,650
	Capital Outlay:					
0081	Facilities acquisition and construction	-	-	786,362	-	786,362
	Intergovernmental:					
0091	Contracted instructional services	1,658,588	-	-	-	1,658,588
0093	Payments related to shared services arrangements	23,411	-	-	-	23,411
0099	Other intergovernmental charges	382,628	-	-	-	382,628
6030	**Total Expenditures**	42,341,367	6,805,601	2,140,472	6,889,493	58,176,933
1100	Excess (deficiency) of revenues over expenditures	519,525	2,698,917	(1,975,298)	(369,504)	873,640
	Other Financing Sources (Uses)					
7914	Issuance of debt - loan	-	-	5,000,000	-	5,000,000
7080	**Total Other Financing Sources (Uses)**	-	-	5,000,000	-	5,000,000
1200	Net change in fund balances	519,525	2,698,917	3,024,702	(369,504)	5,873,640
0100	**Fund Balance - Beginning, as Previously Reported**	3,793,107	3,538,914	-	1,110,140	8,442,161
	Adjustments and restatements	(432,741)	-	(257,515)	257,515	(432,741)
	Fund Balance - Beginning, as Restated/Adjusted	3,360,366	3,538,914	(257,515)	1,367,655	8,009,420
3000	**Fund Balance - Ending**	$ 3,879,891	$ 6,237,831	$ 2,767,187	$ 998,151	$ 13,883,060

STAFFORD MUNICIPAL SCHOOL DISTRICT *Exhibit C-2R*

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

Data Control Codes		
	Net Change in Fund Balances - Total Governmental Funds (from C-2)	$ 5,873,640
	Amounts reported for governmental activities in the statement of activities (B-1) are different because:	
	Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is capitalized and allocated over their estimated useful lives as depreciation/amortization expense.	
1	Capital outlay	2,281,514
2	Depreciation/amortization expense	(5,407,047)
3	Because some property taxes will not be collected for several months after the District's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased (decreased) by this amount this year.	307,324
	Bond and other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond and other debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
4	Issuance of debt - notes	(5,000,000)
5	Principal paid - bonds & notes	3,245,000
6	Principal paid - leases	87,268
7	Principal paid - SBITAs	90,149
	Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
8	Accrued interest on long-term debt	(2,949)
9	Amortization of bond premium	452,352
10	Amortization of deferred charge on refunding	(126,043)
11	The (increase) decrease in compensated absences is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as income (expenditures) in the governmental funds.	(103,025)
12	The (increase) decrease in workers' compensation is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds.	(13,595)
13	The net change in net pension/OPEB liabilities, deferred outflows, and deferred inflows are reported in the statement of activities but does not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(77,939)
	Change in Net Position of Governmental Activities (see B-1)	$ 1,606,649

STAFFORD MUNICIPAL SCHOOL DISTRICT *Exhibit D-1*

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

August 31, 2025

	Business-type Activities		
	Daycare Program	Community Center	Total Enterprise Funds
Assets			
Current Assets:			
Due from other funds	$ 14,851	$ -	$ 14,851
Total Assets	14,851	-	14,851
Liabilities			
Current Liabilities:			
Accounts payable	-	243	243
Due to other funds	41,480	16,957	58,437
Total Liabilities	41,480	17,200	58,680
Net Position (Deficit)			
Unrestricted	(26,629)	(17,200)	(43,829)
Total Net Position (Deficit)	$ (26,629)	$ (17,200)	$ (43,829)

STAFFORD MUNICIPAL SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended August 31, 2025

	Business-type Activities		
	Daycare Program	Community Center	Total Enterprise Funds
Operating Revenues			
Charges for services	$ 248,940	$ 9,590	$ 258,530
Total Operating Revenues	248,940	9,590	258,530
Operating Expenses			
Payroll costs	245,385	14,159	259,544
Purchased and contracted services	-	10,348	10,348
Supplies and materials	2,747	1,429	4,176
Other operating costs	3,900	854	4,754
Total Operating Expenses	252,032	26,790	278,822
Change in Net Position	(3,092)	(17,200)	(20,292)
Net Position (Deficit) - Beginning	(23,537)	-	(23,537)
Net Position (Deficit) - Ending	$ (26,629)	$ (17,200)	$ (43,829)

STAFFORD MUNICIPAL SCHOOL DISTRICT

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended August 31, 2025

	Business-type Activities		
	Daycare Program	Community Center	Total Enterprise Funds
Cash Flows from Operating Activities			
Receipts from customers	$ 249,854	$ 9,590	$ 259,444
Payments to suppliers for goods and services	(4,469)	4,569	100
Payments to employees	(245,385)	(14,159)	(259,544)
Net Cash Provided By (Used For) Operating Activities	-	-	-
Net increase (decrease) in cash and cash equivalents	-	-	-
Cash And Cash Equivalents, Beginning of Year	-	-	-
Cash And Cash Equivalents, End of Year	$ -	$ -	$ -
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating income (loss)	$ (3,092)	$ (17,200)	$ (20,292)
Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided By (Used For) Operating Activities:			
Change in Assets and Liabilities:			
(Increase) decrease in due from other funds	(14,851)	-	(14,851)
Increase (decrease) in other receivables	914	-	914
Increase (decrease) in accounts payable	(4,019)	243	(3,776)
Increase (decrease) in interfund payables	21,048	16,957	38,005
Total Adjustments	3,092	17,200	20,292
Net Cash Provided by (Used for) Operating Activities	$ -	$ -	$ -

STAFFORD MUNICIPAL SCHOOL DISTRICT *Exhibit E-1*

STATEMENT OF NET POSITION

FIDUCIARY FUND

August 31, 2025

		Custodial Fund
Assets		
Cash and cash equivalents	$	29,450
Receivables:		
Due from others		34,033
Other receivables		424
Total Assets	$	63,907
Net Position		
Restricted for student activities	$	63,907
Total Net Position	$	63,907

STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND
For the Year Ended August 31, 2025

	Custodial Fund
Additions	
Contributions:	
Revenues from student activities	$ 123,286
Total Additions	123,286
Deductions	
Payments for student activities	102,982
Total Deductions	102,982
Change in net position	20,304
Net Position Beginning of Year	43,603
Net Position End of Year	$ 63,907

Note 1 - Summary of Significant Accounting Policies

A. Reporting Entity

Stafford Municipal School District (the "District") is governed by a seven-member Board of Trustees (the "Board"), which has governance responsibilities over all activities related to public, elementary and secondary education within the District. Members of the Board are elected by the public; have authority to make decisions; appoint management and significantly influence operations; and have primary accountability for fiscal matters. The District is included in City of Stafford, Texas "reporting entity" as defined by the Government Accounting Standards Board (GASB) in its Statement No. 14, "*The Financial Reporting Entity*," as amended, and there are no component units included within the reporting entity.

Effective September 1, 2003, Texas Education Code 11.303 was put into law, and it provided for the City Council to participate jointly with the Board for the following actions:

- Hearings and work sessions on the budget and ad valorem tax rate,
- Adopting of annual budget and ad valorem tax rates, and
- Authorization for bonded debt issuance.

The accompanying financial statements present the reporting entity of the District.

B. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government (the District). All fiduciary activities are reported only in the fund financial statements. *Governmental activities* normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions.

C. Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds, the proprietary fund and the fiduciary fund, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary fund. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. 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.

The District reports the following major governmental funds:

- The *General fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those accounted for in another fund.
- The *Debt Service fund* is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.
- *The Capital Projects fund* accounts for the acquisition and construction of the District's major capital facilities, other than those financed by proprietary funds.

Note 1 - Summary of Significant Accounting Policies (continued)

D. Basis of Presentation – Fund Financial Statements (continued)

The District reports the following nonmajor governmental funds and fund types:

- The *Special Revenue funds* are used to account for the proceeds of specific revenue sources (other than those identified as a major fund) that are restricted or committed to expenditures for specific purposes.

The District reports the following nonmajor enterprise funds:

- The *Daycare Program fund* accounts for the activities of the District's Daycare Program. This program was created to provide all-day childcare to infants and toddlers ages six (6) months to three (3) years old. The program serves the City of Stafford residents, District personnel, as well as those families in surrounding communities.
- The *Community Center fund* accounts for the activities of the District's Community Center.

Additionally, the District reports the following fund type:

- The *Custodial Fund* accounts for resources held in a custodial capacity by the District and consists of funds that are the property of students or others.

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated. Similarly, balances between the funds included in business-type activities (the enterprise fund) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

E. Measurement Focus and Basis of Accounting

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

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

Note 1 - Summary of Significant Accounting Policies (continued)

E. Measurement Focus and Basis of Accounting (continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as required under accrual accounting. However, debt service principal and interest expenditures on general long-term debt, including lease liabilities, as well as expenditures related to compensated absences, claims and judgments, and postemployment benefits are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the District the right-to-use leased assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

Interest associated with the current fiscal period is considered to be susceptible to accrual and has been recognized as revenues in the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 120 days of year-end). All other revenue items, including property taxes, are considered to be measurable and available only when cash is received by the District.

The fiduciary fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting.*

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

1. Cash, Cash Equivalents and Investments

The District's cash and cash equivalents are considered to be cash on hand, bank demand deposits, time deposits with original maturities of one year or less from the date of acquisition, and investments pools.

Investments for the District, except for certain investments pools, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost or fair value. Such investments are not required to be reported in the fair value hierarchy.

2. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

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

Note 1 - Summary of Significant Accounting Policies (continued)

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

2. Inventories and Prepaid Items (continued)

If there is a constraint on how the eventual proceeds can be spent, the fund balance is classified to reflect that constraint (restricted, committed, or assigned), rather than included as part of nonspendable fund balance.

3. Capital Assets

Capital assets, which include land, buildings and improvements, vehicles, equipment and the intangible right-to-use assets, are reported in the applicable governmental activities column in the government-wide financial statements. The District's infrastructure includes parking lots and sidewalks associated with various buildings. The cost of the infrastructure was initially capitalized with the building cost and is being depreciated over the same useful life as the building. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the District chose to include all such items regardless of their acquisition date or amount. The District was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the District constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost (except for intangible right-to-use leased assets). The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated acquisition value at the date of donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

Land and construction in progress are not depreciated. The buildings and improvements and vehicles and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	In Years
Buildings and improvements	10 - 30
Vehicles	8 - 9
Furniture and equipment	5 - 15
Right-to-use lease assets	Lease term
Subscription assets	Subscription term

4. Deferred Outflows/Inflows of Resources

Deferred outflows of resources represents a consumption of net assets that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until then. Deferred inflows of resources represents an acquisition of net assets that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

Deferred outflows/inflows of resources are amortized as follows:

a. Deferred outflows/inflows from pension and OPEB activities are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and OPEB plan, except for projected and actual earnings differences on investments which are amortized on a closed basis over a 5-year period.

Note 1 - Summary of Significant Accounting Policies (continued)

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

4. Deferred Outflows/Inflows of Resources (continued)

b. District contributions to the pension and OPEB plans after the measurement date of each plan are recognized in the subsequent fiscal year.
c. Deferred charge/gain on refunding is amortized over the shorter of the life of the refunded or refunding debt.
d. Property taxes are recognized in the period the amount becomes available.

5. Compensated Absences

On retirement or death of certain employees, the District pays an accrued sick leave and vacation leave in a lump sum payment to such employee or his/her estate. Effective November 19, 2002, and thereafter, an employee who retires in accordance with Teacher Retirement System (TRS) guidelines after 20 or more years of service in the District shall be paid for up to 90 workdays of unused local leave as follows. A professional employee shall be paid at the rate of $60 per day for each day of unused local leave. A paraprofessional or auxiliary employee shall be paid at the rate of 50% of the daily wage at the time of retirement, not to exceed $40 per day, for each day of unused local leave

6. Net Position Flow Assumption

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

7. Fund Balance Flow Assumptions

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

8. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

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

Note 1 - Summary of Significant Accounting Policies (continued)

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

8. Fund Balance Policies (continued)

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board has, by policy, authorized the superintendent or his designee to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned fund balance represents the residual amount for the general fund that is not contained in the other classifications. The general fund is the only fund that reports a positive unassigned fund balance. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

9. Pension

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

10. Other Postemployment Benefits (OPEB)

The fiduciary net position of the Teacher Retirement System of Texas TRS-Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other postemployment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as you-go plan and all cash is held in a cash account.

11. Leases/SBITAs

The District is under contract for various leases and subscription-based information technology arrangements (SBITAs) . The District recognizes a lease/SBITA liability and an intangible right-to-use asset (lease asset or subscription asset) in the government-wide financial statements. The District recognizes lease/SBITA liabilities with an initial, individual value of $5,000 or more.

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

Note 1 - Summary of Significant Accounting Policies (continued)

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

11. Leases/SBITAs (continued)

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

- The District uses the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate.
- The term includes the noncancellable period of the lease or subscription. Payments included in the measurement of the liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

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

Lease/subscription assets are reported with other capital assets and lease/SBITA liabilities are reported with long-term debt on the statement of net position.

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

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

3. Use of Estimates

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

4. Data Control Codes

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

Note 1 - Summary of Significant Accounting Policies (continued)

H. Risk Disclosures – Concentrations and Constraints

In accordance with GASB Statement No. 102, *Certain Risk Disclosures*, the District evaluates whether it has vulnerabilities due to concentrations or constraints that could make it susceptible to a substantial impact. A *concentration* is defined as a lack of diversity related to an aspect of a significant inflow or outflow of resources, such as reliance on a single revenue source or vendor. A *constraint* is a limitation imposed by an external party or by formal action of the government's highest level of decision-making authority, such as statutory spending caps or debt limits. The District assesses whether the concentration or constraint is known prior to issuance of the financial statements, whether it makes the District vulnerable to a substantial impact, and whether an event associated with the concentration or constraint has occurred, begun to occur, or is more likely than not to occur within 12 months of the issuance date. If all three criteria are met, the District discloses in the notes the nature of the concentration or constraint, the event or events that could cause a substantial impact, and the actions taken to mitigate the risk prior to issuance. If mitigating actions eliminate these conditions before issuance, disclosure is not required. The District had no concentrations or constraints meeting the requirements for disclosure.

I. Implementation of New Accounting Standards

GASB issued Statement No. 101, *Compensated Absences,* was issued in June 2022. The primary objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The requirements of this statement were implemented in 2025 and the impact is reflected in the financial statements. See Note 4-G for more information.

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

Note 2 - Stewardship, Compliance, and Accountability

A. Budgetary Information

The Board of Trustees and City Council adopts an appropriated budget for the general fund, debt service fund, and the National School Breakfast and Lunch Program special revenue fund on a basis consistent with GAAP. Budgetary information for the general fund appears in the required supplementary information subsection where the District compares the final amended budget to actual revenues and expenditures

The following procedures are followed in establishing the budgetary data reflected in the financial schedules:

1. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board and Council is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
3. Prior to September 1, the budget is legally enacted and adopted by the Board and Council.

The appropriated budget is prepared by fund, function and campus/department. The District's campus/department heads may make transfers of appropriations within a campus/department. Transfers of appropriations between departments require the approval of the District's management. Increasing any one of the functional spending categories, or revenues object accounts and other resources requires the approval of the Board and Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level within a fund.

Note 2 - Stewardship, Compliance, and Accountability (continued)

B. Encumbrances

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

Note 3 - Detailed Notes on All Funds

A. Deposits and Investments

Cash Deposits

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas School Depository Act. The depository bank pledges securities which comply with state law, and these securities are held for safekeeping and trust with the District's and the depository bank's agent bank. The pledged securities shall be in an amount sufficient to protect District funds on a day-today basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Investments

The District's investment policy is in accordance with the Public Funds Investment Act, the Public Funds Collateral Act, and federal and state laws. State law and District policy limits credit risk by allowing investing in 1) Obligations of the United States or its agencies which are backed by the full faith and credit of the United States, obligations of the State of Texas or its agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized statistical rating organization (NRSRO) not less than A or its equivalent; 2) Certificates of deposit issued by a broker or depository located in Texas which is insured by the FDIC or purchased through a broker who has an office located in Texas; 3) Repurchase agreements secured by obligations of the United States or its agencies not to exceed 90 days to maturity from the date of purchase; 4) Bankers' acceptances with a stated maturity of 270 days or fewer which are eligible for collateral for borrowing from a Federal Reserve Bank; 5) No-load money market mutual funds which shall be registered with the Securities and Exchange Commission which have an average weighted maturity of less than two years, investments comply with the Public Funds Investment Act and are continuously rated not less than AAA by at least one NRSRO; 6) A guaranteed investment contract (for bond proceeds only) which meets the criteria and eligibility requirements established by the Public Funds Investment Act; 7) Public funds investment pools which meets the requirements of the Public Funds Investment Act; 8) Commercial paper is an authorized investment if it has a stated maturity of 270 days or fewer from the date of its issuance and is rated not less than A-1 or P-1 or an equivalent rating by at least: two nationally recognized credit rating agencies; or one nationally recognized agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state; 9) Securities lending program as permitted by Government Code 2256.0115; 10) Fully collateralized repurchase agreements permitted by Government Code 2256.011.

Note 3 - Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

Investments (continued)

As of August 31, 2025, the carrying value of the District's cash and cash equivalents consisted of the following:

Primary Government	Fair Value	Percent of Total Investments	Weighted Average Maturity (Days)	S&P Rating
Local Government Investment Pools:				
Investments measured at amortized cost:				
TexPool	$ 9,503,901	82%	42	AAAm
TexSTAR	752,888	6%	44	AAAm
Lone Star Government Overnight Fund	1,766		26	AAAm
Investments Measured at Fair Value:				
LOGIC	1,393,479	12%	49	AAAm
Total	11,652,034	100%		
Portfolio weighted average maturity			43	
Cash and checking accounts	1,821,775	N/A	N/A	
Total Cash and Cash Equivalents	$ 13,473,809			

In addition, the District's fiduciary fund held cash and checking accounts in the amount of $24,610 and TexPool in the amount of $4,840.

The TexPool, TexSTAR, and Lone Star Government Overnight investment pools are external investment pools measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, investment pools must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity and diversification requirements within the investment pool. The investment pools transact at a net asset value of $1.00 per share, have weighted average maturity of 60 days or less and weighted average life of 120 days or less, investments held are highly rated by nationally recognized statistical rating organization, have no more than 5% of portfolio with on issuer (excluding US government securities), and can meet reasonably foreseeable redemptions. Such pools have a redemption notice period of one day and no maximum transactions amounts. The investment pools' authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pools' liquidity.

The LOGIC investment pool is an external investment pool measured at its net asset value. LOGIC's strategy is to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short-term marketable securities. The District has no unfunded commitments related to the investment pool. LOGIC has a redemption notice period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pool's liquidity.

Note 3 - Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

Credit Risk

For fiscal year 2025, the District invested in TexPool, Lone Star, TexSTAR, and LOGIC. TexPool is duly chartered and administered by the State Comptroller's Office. Lone Star Investment Pool is duly charted by the State of Texas Interlocal Cooperation Act and is administered by First Public, LLC, formerly the Texas Association of School Boards Financial Services. TexSTAR and LOGIC are administered by First Southwest, Asset Management, Inc. and JP Morgan Chase. The credit rating for investments is noted in the preceding table.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The District monitors interest rate risk utilizing weighted average maturity analysis and specific identification. In accordance with its investment policy, the District reduces its exposure to declines in fair values by limiting the weighted average maturity of any internally created pool to no more than 180 days, and any individual investment not to exceed one year, unless specifically authorized by the Board of Trustees.

Concentration of Credit Risk

The District's investment policy does not limit an investment in any one issuer. The investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity, or specific issuer.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of August 31, 2025, District's deposits were not exposed to custodial credit risk because such balances ($2,363,023) were insured and collateralized with securities held by the District's agent and in the District's name.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. District policy requires investments to be in the District's name or held by the District's agent in the District's name. The District is not exposed to custodial risk due to the investments are insured or registered, or securities held by the District or its agent in the District's name.

Note 3 - Detailed Notes on All Funds (continued)

B. Receivables

Property tax receivables of the general and debt service funds are reported net of estimated uncollectible amounts. The total change from the previous fiscal year in the uncollectible amounts is as follows:

	Current Year-End	Prior Year-End	Change
Property tax receivable, gross	$ 1,987,618	$ 1,657,554	$ 330,064
Allowance for uncollectibles	(29,815)	(16,576)	(13,239)
Property Tax Receivable, Net of Allowance	$ 1,957,803	$ 1,640,978	$ 316,825
Allowance as a percentage of gross receivable	1.50%	1.00%	

C. Interfund Receivables, Payables, and Transfers

Receivables/Payables

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

Fund	Interfund Receivables	Interfund Payables
Governmental Funds:		
General fund	$ 1,903,797	$ (1,533,540)
Debt service fund	966,432	-
Capital projects fund	-	(609,217)
Nonmajor governmental funds	754,622	(1,438,508)
Proprietary Funds:		
Nonmajor enterprise funds	14,851	(58,437)
Total	$ 3,639,702	$ (3,639,702)

Interfund balances consist of short-term lending/borrowing arrangements that generally result from payroll and other regularly occurring charges that are paid by one fund and then charged back to the appropriate other fund. Additionally, some lending/borrowing may occur between two or more nonmajor governmental funds.

Transfers

Interfund transfers are defined as "flows of assets from one fund to another fund without equivalent flow of assets in return and without a requirement for repayment." Transfers are the use of funds collected in one fund to finance various programs accounted for in other funds.

During fiscal year 2025, the District did not conduct any interfund transfers.

Note 3 - Detailed Notes on All Funds (continued)

D. Capital Assets

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

	Restated Beginning Balance	Increases	Decreases/ Transfers	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	$ 1,250,000	$ -	$ -	$ 1,250,000
Total Capital Assets, Not Being Depreciated	1,250,000	-	-	1,250,000
Capital Assets, Being Depreciated:				
Buildings and improvements	176,329,856	628,191	-	176,958,047
Equipment	6,352,218	801,439	-	7,153,657
Vehicles	4,198,915	851,884	-	5,050,799
Right to use lease equipment	324,036	-	(185,998)	138,038
Subscription assets	300,763	-	(28,345)	272,418
Total Capital Assets, Being Depreciated	187,505,788	2,281,514	(214,343)	189,572,959
Less Accumulated Depreciation for:				
Buildings and improvements	(92,935,683)	(4,802,748)	-	(97,738,431)
Equipment	(5,969,202)	(100,393)	-	(6,069,595)
Vehicles	(3,978,400)	(316,461)	-	(4,294,861)
Right to use lease equipment	(223,787)	(85,879)	185,998	(123,668)
Subscription assets	(172,573)	(101,566)	28,345	(245,794)
Total Accumulated Depreciation	(103,279,645)	(5,407,047)	214,343	(108,472,349)
Total Capital Assets Being Depreciated, Net	84,226,143	(3,125,533)	-	81,100,610
Governmental Activities Capital Assets, Net	$ 85,476,143	$ (3,125,533)	$ -	$ 82,350,610

Net investment in capital assets, as reported in the Statement of Net Position, consisted of the following as of August 31, 2025:

Capital Assets, Net	$ 82,350,610
Less:	
Bonds payable	(86,225,000)
Premiums	(6,910,333)
Notes payable	(4,835,000)
Leases payable	(14,750)
SBITAs payable	(13,831)
Other non-debt capital-related liabilities	(54,994)
Plus:	
Deferred charges on refunding	1,512,517
Unspent bond/note proceeds	3,431,398
	$ (10,759,383)

Note 3 - Detailed Notes on All Funds (continued)

D. Capital Assets (continued)

Depreciation/amortization was charged to functions as follows:

Governmental Activities:	
11 Instruction	$ 2,923,633
12 Instructional resources and media services	45,867
13 Curriculum and instructional staff development	37,109
21 Instructional leadership	125,928
23 School leadership	285,992
31 Guidance, counseling, and evaluation services	92,457
32 Social work services	757
33 Health services	57,590
34 Student transportation	135,344
35 Food services	293,593
36 Extracurricular activities	163,926
41 General administration	477,011
51 Plant maintenance and operations	560,850
52 Security and monitoring services	79,511
53 Data processing	107,654
61 Community services	19,825
Total Depreciation/Amortization Expense	$ 5,407,047

E. Long-term Obligations

The District's long-term liabilities consist of bond indebtedness, workers' compensation claims, compensated absences, leases, SBITAs, net pension liability, and OPEB liability. The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund. Other long-term liabilities are generally liquidated with resources of the general fund.

Changes in Long-term Liabilities

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

	Restated Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable:					
General obligation bonds	$ 89,305,000	$ -	$ (3,080,000)	$ 86,225,000	$ 3,210,000
Premiums	7,362,685	-	(452,352)	6,910,333	-
Total Bonds Payable	96,667,685	-	(3,532,352)	93,135,333	3,210,000
Notes payable	-	5,000,000	(165,000)	4,835,000	175,000
Workers' compensation	81,015	13,595	-	94,610	94,610
Compensated absences *	959,532	103,025	-	1,062,557	212,511
Leases payable	102,018	-	(87,268)	14,750	14,750
SBITAs payable	103,980	-	(90,149)	13,831	13,831
Net pension liability *	19,357,063	-	(3,819,307)	15,537,756	-
Net OPEB liability *	7,688,149	1,778,539	-	9,466,688	-
Governmental Activities Long-term Liabilities	$ 124,959,442	$ 6,895,159	$ (7,694,076)	$ 124,160,525	$ 3,720,702

* The change above is a net change for the fiscal year.

Note 3 - Detailed Notes on All Funds (continued)

E. Long-term Obligations (continued)

Outstanding Bonds and Notes Payable

The District issues general obligation bonds to provide funds for the construction and equipment of school facilities (BLDG) and to refund general obligation bonds (REF). General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds are issued as 3-30 year current interest (CIB) or capital appreciation bonds (CAB) with various amounts of principal maturing each year. Rates may be fixed or variable. The following is a summary of changes in the general obligation bonds for the fiscal year:

Series	Interest Rate	Original Issue	Maturity Date	Outstanding Amount
Bonds Payable:				
2014 REF	2.0% - 4.0%	$ 7,015,000	8/15/2026	$ 830,000
2016B REF B	2.0% - 4.0%	5,540,000	8/15/2029	3,695,000
2018 BLDG	3.0% - 5.0%	48,210,000	8/15/2048	42,940,000
2019 BLDG A	4.0% - 5.0%	8,815,000	8/15/2049	7,385,000
2019 REF B	3.1% - 5.0%	35,975,000	8/15/2041	31,375,000
Total Bonds Payable				86,225,000
Notes Payable:				
2014 MTN	4.10%	5,000,000	8/15/2029	4,835,000
Total Bonds and Notes Payable				$ 91,060,000

Debt service requirements at August 31, 2025 are as follows:

Year Ending August 31,	Governmental Activities: Bonds Payable Principal	Bonds Payable Interest	Bonds Payable Total	Notes Payable Principal	Notes Payable Interest	Notes Payable Total
2026	$ 3,210,000	$ 3,672,526	$ 6,882,526	$ 175,000	$ 198,236	$ 373,236
2027	3,185,000	3,521,976	6,706,976	180,000	191,060	371,060
2028	3,300,000	3,403,476	6,703,476	185,000	183,680	368,680
2029	1,615,000	3,256,326	4,871,326	4,295,000	176,096	4,471,096
2030	3,435,000	3,175,876	6,610,876	-	-	-
2030 - 2034	19,735,000	13,289,580	33,024,580	-	-	-
2035 - 2039	21,250,000	9,089,878	30,339,878	-	-	-
2040 - 2044	21,400,000	4,999,047	26,399,047	-	-	-
2045 - 2049	9,095,000	782,200	9,877,200	-	-	-
Total	$ 86,225,000	$ 45,190,885	$ 131,415,885	$ 4,835,000	$ 749,072	$ 5,584,072

Current Year Debt Issuance

During fiscal year 2025, the District issued $5,000,000 in Series 2024 Maintenance Tax Notes, incurring $48,775 in issuance costs. These notes were issued for the purpose of repair, rehabilitation, renovation, replacement and equipment for existing school facilities. As a result, the proceeds were deposited into the capital projects fund. Future debt service payments for the notes will be funded from the general fund.

Note 3 - Detailed Notes on All Funds (continued)

E. Long-term Obligations (continued)

Prior Year Defeasance

As of August 31, 2025, the District's defeased bonds included $2,055,000 with a redemption date of August 15, 2028 and $1,825,000 with a redemption date of August 15, 2026.

Arbitrage

As of August 31, 2025, the District had no liability for arbitrage payable.

Leases

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

				Lease Liability		Right-to-use Asset		
Description	Start Date	End Date	Interest Rate	Original Amount	Remaining	Asset	Accumulated Amortization	Net
Printers	02/01/22	01/01/26	1.548%	$ 138,038	$ 14,750	$ 138,038	$ (123,668)	$ 14,370
				$ 138,038	$ 14,750	$ 138,038	$ (123,668)	$ 14,370

All amounts paid were previously included in the measurement of the lease liability and there were no other related outflows of resources for the period such as variable payments or termination penalties. In addition, there were no commitments incurred prior to commencement of any lease term and there were no impairment losses related to lease assets. Principal and interest payments remaining on the leases are as follows:

Fiscal Year(s)	Principal	Interest	Total
2026	$ 14,750	$ 57	$ 14,807
	$ 14,750	$ 57	$ 14,807

Subscription-Based Information Technology Arrangements (SBITAs)

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

				SBITA Liability		Right-to-use Asset		
Description	Start Date	End Date	Interest Rate	Original Amount	Amount Remaining	Asset	Accumulated Amortization	Net
Instructional Material	12/01/22	11/30/25	N/A	$ -	$ -	$ 33,252	$ (30,481)	$ 2,771
Instructional Material	10/21/22	10/21/25	2.200%	197,655	-	197,655	(188,505)	9,150
Web Filter	10/01/23	08/31/26	3.041%	12,841	13,831	41,511	(26,808)	14,703
				$ 210,496	$ 13,831	$ 272,418	$ (245,794)	$ 26,624

Note 3 - Detailed Notes on All Funds (continued)

E. Long-term Obligations (continued)

Subscription-Based Information Technology Arrangements (SBITAs) (continued)

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

Fiscal Year(s)	Principal	Interest	Total
2026	$ 13,831	$ 421	$ 14,252
	$ 13,831	$ 421	$ 14,252

F. Fund Balance

Fund balance assigned for other purposes includes the following:

Campus Activity Fund:	
Campus activities	$ 284,925
Student motivation fund	77,776
Total Assigned Fund Balance	$ 362,701

G. Revenues from Local and Intermediate Sources

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

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Funds	Totals
Property taxes	$ 32,373,241	$ 8,900,811	$ -	$ -	$ 41,274,052
Charges for services	433,043	-	-	370,223	803,266
Investment earnings	579,641	293,224	165,174	155	1,038,194
Other	982,572	-	-	75,700	1,058,272
Totals	$ 34,368,497	$ 9,194,035	$ 165,174	$ 446,078	$ 44,173,784

Note 4 - Other Information

A. Risk Management

Property/Liability

The District participates in the Property Casualty Alliance of Texas (the Fund). The Fund was created to formulate, develop and administer a program of modified self-funding for the Fund's membership, obtain competitive costs for property and liability coverage and develop a comprehensive loss control program. The District pays a required contribution to the Fund for its property and liabilities coverage and transfers the risk of loss to the Fund. The District's agreement with the Fund provides that the Fund will be self-sustaining through member contributions. In the event that the Fund was to discontinue operations, the member political subdivisions would be responsible for any eligible claims not funded by the Fund. In addition, there were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

Note 4 - Other Information (continued)

A. Risk Management (continued)

Health Care Coverage

During the year ended August 31, 2025, employees of the District were covered by TRS-Active Care (the Plan) a statewide health coverage program for Texas public education employees, implemented by the Teacher Retirement System of Texas (TRS). The District paid premiums of $225 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to TRS. The legislature created the Plan for public school employee group health coverage in 2002-03, requiring all Districts with fewer than 500 employees to participate in the Plan.

Worker's Compensation

The District established a limited risk management program for workers‘ compensation by participating as a self-funded member of the Texas Public Schools Workers’ Compensation Project (Pool). The Pool was created and is operated under the provisions of the lnterlocal Cooperation Act, Chapter 791 of the Texas Government Code and Chapter 504, Texas Labor Code. As a self-funded member of the Pool, the District is solely responsible for all claims costs, both reported and unreported. A third-party administrator provides administrative services to its self-funded members including claims administration and customer service.

Premiums are paid into the general fund by the other funds and are available to pay claims, claim reserves, and administrative costs of the program.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities also include an estimated amount for claims that have been incurred but not reported (IBNR). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from stop-loss or subrogation, are another component of the claims liability estimate. The Texas Public Schools Workers’ Compensation Project limits the Pool’s liability to $350,000 per occurrence with a maximum aggregate exposure of $5,000,000. There were no significant reductions in insurance coverage from the prior year. Settlements have not exceeded coverages for each of the past two fiscal years.

Changes in the balances of claims liabilities reported in the governmental activities during the past two years are as follows:

	Year Ended 8/31/2025	Year Ended 8/31/2024
Unpaid Claims, Beginning of Fiscal Year	$ 81,015	$ 84,021
Incurred claims (including IBNRs and changes in provisions)	13,595	(3,006)
Claim payments	-	-
Unpaid Claims, End of Fiscal Year	$ 94,610	$ 81,015

B. Litigation and Contingencies

The District participates in a number of federal and state financial assistance programs. Although the District’s grant programs have been audited in accordance with the provisions of the Single Audit Act through August 31, 2025, these programs are subject to financial and compliance audits by the grantor agencies. The District is also subject to audit by the TEA of the attendance data upon which payments from the agency are based. These audits could result in questioned costs or refunds to be paid back to the granting agencies.

Note 4 - Other Information (continued)

C. Defined Benefit Pension Plan

Plan Description

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

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

Pension Plan Fiduciary Net Position

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

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered under a previous rule. There are no automatic postemployment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above. Accordingly, the 2023 Texas Legislature passed Senate Bill (SB) 10 and House Joint Resolution (HJR) 2 to provide eligible retirees with a one-time stipend and an ad hoc cost-of-living-adjustment (COLA).

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

- A one-time $7,500 stipend to eligible annuitants who are 75 years of age and older.
- A one-time $2,400 stipend to eligible annuitants age 70 to 74.

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

Note 4 - Other Information (continued)

C. Defined Benefit Pension Plan (continued)

Benefits Provided (continued)

- 2% COLA for eligible retirees who retired between September 1, 2013 through August 31, 2020.
- 4% COLA for eligible retirees who retired between September 1, 2001 through August 31, 2013.
- 6% COLA for eligible retirees who retired on or before August 31, 2001.

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

Contributions

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

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

	Contribution Rates September 1, 2024 to August 31, 2025	Contribution Amounts
Member	8.25%	$ 2,388,794
Non-Employer Contributing Entity	8.25%	1,403,866
Employers	8.25%	1,481,468

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any 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.

Note 4 - Other Information (continued)

C. Defined Benefit Pension Plan (continued)

Contributions (continued)

- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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

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

Actuarial Assumptions

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

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

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

Discount Rate

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

Note 4 - Other Information (continued)

C. Defined Benefit Pension Plan (continued)

Discount Rate (continued)

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

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

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

Asset Class	Target Allocation[2]	Long-Term Expected Geometric Real Rate of Return[3]	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.00%	4.40%	1.00%
Non-U.S. Developed	13.00%	4.20%	0.80%
Emerging Markets	9.00%	5.20%	0.70%
Private Equity[1]	14.00%	6.70%	1.20%
Stable Value			
Government Bonds	16.00%	1.90%	0.40%
Absolute Return[1]		4.00%	
Stable Value Hedge Funds	5.00%	3.00%	0.20%
Real Return			
Real Estate	15.00%	6.60%	1.20%
Energy, Natural Resources & Infrastructure	6.00%	5.60%	0.40%
Commodities		2.50%	
Risk Parity	8.00%	4.00%	0.40%
Asset Allocation Leverage			
Cash	2.00%	1.00%	
Asset Allocation Leverage	-6.00%	1.30%	-0.10%
Inflation Expectation			2.40%
Volatility Drag[4]			-0.70%
Expected Return	100.00%		7.90%

[1] Absolute Return includes Credit Sensitive Investments.

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

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

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

Note 4 - Other Information (continued)

C. Defined Benefit Pension Plan (continued)

Discount Rate Sensitivity Analysis

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

	Discount Rate		
	1% Decrease (6.00%)	Current Rate (7.00%)	1% Increase (8.00%)
District's proportional share of the Net Pension Liability:	$ 24,817,733	$ 15,537,756	$ 7,848,635

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

At August 31, 2025, the District reported a liability of $15,537,756 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	$ 15,537,756
State's proportionate share that is associated with the District	14,565,780
Total	$ 30,103,536

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

At August 31, 2024, the District's proportion of the collective net pension liability was 0.0254% which was a decrease of 0.0027% from its proportion measured as of August 31, 2023.

Changes in Assumptions and Benefits Since the Prior Actuarial Valuation

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

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

Change Since the Prior Actuarial Valuation - The actuarial assumptions and methods have been modified since the determination of the prior year's Net Pension Liability. These new assumptions were adopted in conjunction with an actuarial experience study. The primary assumption change was the lowering of the single discount rate from 7.25% to 7.00%.

Note 4 - Other Information (continued)

C. Defined Benefit Pension Plan (continued)

Changes in Assumptions and Benefits Since the Prior Actuarial Valuation (continued)

The amount of pension expense recognized by the District in the reporting period was $2,695,483.

For the year ended August 31, 2025, the District recognized pension expense of $2,695,483.and revenue of$1,740,854 representing for support provided by the State.

Changes Since the Prior Actuarial Valuation

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	$ 856,420	$ (121,311)
Changes of assumption	802,248	(107,554)
Net difference between projected and actual earnings on pension plan investments	94,449	-
Changes in proportion and differences between District contributions and proportionate share of contributions	2,198,750	(1,262,626)
District contributions subsequent to the measurement date of the net pension liability	1,481,468	-
Total	$ 5,433,335	$ (1,491,491)

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

Year Ending August 31,	Pension Expense Amount	Balance of Deferred Outflows (Inflows)
2026	$ 546,326	$ 1,914,050
2027	1,992,910	(78,860)
2028	378,634	(457,494)
2029	(346,264)	(111,230)
2030	(111,230)	-
	$ 2,460,376	

D. Defined Other Post-Employment Benefit Plans

Plan Description

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

Note 4 - Other Information (continued)

D. Defined Other Post-Employment Benefit Plans (continued)

Plan Description (continued)

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

OPEB Plan Fiduciary Net Position

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

Benefits Provided

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

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

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

TRS-Care Monthly for Retirees

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

Contributions

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of salary. Section 1575.204 establishes a public school contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the employer. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act, which is 0.75% of each active employee's pay for fiscal year 2025. The following table shows contributions to the TRS-Care plan by type of contributor.

Note 4 - Other Information (continued)

D. Defined Other Post-Employment Benefit Plans (continued)

Contributions (continued)

	Contribution Rates September 1, 2024 to August 31, 2025	Contribution Amounts
Active Employee	0.65%	$ 188,209
Non-Employer Contributing Entity (State)	1.25%	541,129
District:		
District, Excluding Federal/Private Funding	0.75%	242,580
Federal/Private Funding	1.25%	28,542
Total District		271,122
Total		$ 1,000,460

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

Actuarial Assumptions

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

Component	Result
Valuation Date	August 31, 2023, rolled forward to August 31, 2024
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.87% as of August 31, 2024
Aging Factors	Based on the Society of Actuaries' 2013 Study "Health Care Costs - From Birth to Death".
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claim costs.
Projected Salary Increases	2.95% to 8.95% including inflation
Healthcare Trend Rates	The initial medical trend rate was 6.75 percent for non-Medicare retirees. For Medicare retirees, trend rates are higher in the first two years due to anticipated growth but thereafter match those of non-Medicare retirees. The initial prescription drug trend rate was 7.25 percent for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25 percent over a period of 11 years.
Election Rates	Normal Retirement: 62% participation rate prior to age 65 and 25% participation rate after age 65. Pre-65 retirees: 30% of pre-65 retirees are assumed to discontinue coverage at age 65.
Ad hoc post-employment benefit changes	None

Note 4 - Other Information (continued)

D. Defined Other Post-Employment Benefit Plans (continued)

Actuarial Assumptions (continued)

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

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

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

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

Discount Rate Sensitivity Analysis

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

	Discount Rate		
	1% Decrease (2.87%)	**Current Rate (3.87%)**	**1% Increase (4.87%)**
District's proportionate share of the Net OPEB Liability	$ 11,246,868	$ 9,466,688	$ 8,028,276

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

At August 31, 2025, the District reported a liability of $9,466,688 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	$ 9,466,688
State's proportionate share that is associated with District	11,861,632
Total	$ 21,328,320

Note 4 - Other Information (continued)

D. Defined Other Post-Employment Benefit Plans (continued)

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

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

Healthcare Trend Rate Sensitivity

At August 31, 2024, the District's proportion of the collective Net OPEB Liability was 0.0312% which was a decrease of 0.0035% from its proportion measured as of August 31, 2023.

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

	Healthcare Cost Trend Rate		
	1% Decrease	Current Rate	1% Increase
District's proportionate share of the Net OPEB Liability	$ 7,709,212	$ 9,466,688	$ 11,756,854

Changes Since the Prior Actuarial Valuation

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

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

Changes of Benefit Terms Since the Prior Measurement Date

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

For the year ended August 31, 2025, the District recognized negative OPEB expense of -$824,035. The District also recognized negative on-behalf expense and revenue of -$1,541,793 for support provided by the State.

Note 4 - Other Information (continued)

D. Defined Other Post-Employment Benefit Plans (continued)

Changes of Benefit Terms Since the Prior Measurement Date (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 other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 1,814,446	$ (4,724,391)
Changes of assumption	1,211,624	(3,088,871)
Net difference between projected and actual earnings	-	(26,510)
Changes in proportion and differences between District contributions and proportionate share of contributions	3,036,377	(1,590,394)
District contributions subsequent to the measurement date of the net OPEB liability	271,122	-
Total	$ 6,333,569	$ (9,430,166)

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

Year Ending August 31:	OPEB Expense Amount	Balance of Deferred Outflows (Inflows)
2026	$ (1,070,442)	$ (2,297,277)
2027	(641,686)	(1,655,591)
2028	(816,084)	(839,507)
2029	(655,178)	(184,329)
2030	(298,657)	114,328
2031	114,328	-
	$ (3,367,719)	

Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2025, 2024, and 2023, the subsidy payments received by TRS-Care on-behalf of the District were $207,733, $149,304, and $164,890, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements of the District.

The Brazoria-Fort Bend Regional Day School Program for the Deaf

The District participates in the Regional Day School for the Deaf with Fort Bend Independent School District acting as the fiscal agent and the District as a member district.

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

Note 4 - Other Information (continued)

F. Deficit Net Position and Fund Balances

The District currently reports a deficit net position in the following categories:

	Governmental Activities	Business-Type Activities
Net Investment in Capital Assets	$ (10,759,383)	$ -
Unrestricted	(20,129,662)	(43,829)

The deficit net position of the business-type activities (Daycare Program and Community Center enterprise funds) will be replenished in future years from the general fund.

G. Restatements and Adjustments to Beginning Balances

The District restated the beginning balance of fund balance/net position due to the implementation of new accounting standards and to correct errors in the previously issued financial statements.

GASB Statement No. 101, *Compensated Absences* was implemented in the current fiscal year. In addition to the value of unused vacation time owed to employees upon separation of employment, the liability for compensated absences now includes recognition of an estimated amount of sick leave earned as of year-end that will be used by employees as time off in future years. The District also corrected balances as a result of improper amounts reported in the previous fiscal year related to state aid revenue. SBITA assets/liabilities, and payroll liabilities. Lastly, the District's beginning fund balance was adjusted as result of the capital projects fund being reclassified as a major fund in fiscal year 2025. A summary of all restatements and adjustments to beginning balances are as follows:

	Fund Balance				Net Position
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds	Governmental Activities
Fund Balance/Net Position - Beginning, as Previously Reported	$ 3,793,107	$ -	$ 1,110,140	$ 4,903,247	$ (24,088,643)
Restatements:					
Implementation of GASB 101					(941,612)
Corrections of Errors:					
State aid revenue improperly recognized in previous year	(1,131,342)	-	-	(1,131,342)	(1,131,342)
Payroll liabilities improperly accrued in previous year	698,601	-	-	698,601	698,601
Corrections to SBITA-related amounts					
Right to use lease equipment	-	-	-	-	(240,688)
Right to use lease equipment - accumulated amortization	-	-	-	-	74,456
Long-term liability	-	-	-	-	242,998
Total Corrections of Errors	(432,741)	-	-	(432,741)	(355,975)
Total Restatements	(432,741)	-	-	(432,741)	(1,297,587)
Adjustments:					
Nonmajor fund to major fund	-	(257,515)	257,515	-	-
Fund Balance/Net Position - Beginning, as Restated/Adjusted	$ 3,360,366	$ (257,515)	$ 1,367,655	$ 4,470,506	$ (25,386,230)

REQUIRED SUPPLEMENTARY INFORMATION

STAFFORD MUNICIPAL SCHOOL DISTRICT

Exhibit G-1

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended August 31, 2025

	Budget			Variance with
	Original	**Final**	**Actual**	**Final Budget**
Revenues				
Local revenues	$ 36,478,269	$ 36,353,060	$ 34,368,497	$ (1,984,563)
State program revenues	5,044,447	5,169,656	7,975,866	2,806,210
Federal program revenues	591,955	591,955	516,529	(75,426)
Total Revenues	42,114,671	42,114,671	42,860,892	746,221
Expenditures				
Current:				
Instruction	22,584,391	22,488,726	22,539,323	(50,597)
Instruction resources and media services	385,623	385,625	301,492	84,133
Curriculum and instructional staff development	374,235	374,236	207,640	166,596
Instructional leadership	1,670,880	1,649,879	1,610,207	39,672
School leadership	2,217,902	2,217,905	2,092,151	125,754
Guidance, counseling and evaluation services	1,300,697	1,110,699	1,104,183	6,516
Health services	456,962	450,964	382,198	68,766
Student transportation	776,599	986,599	978,792	7,807
Extracurricular activities	1,416,155	1,432,663	1,317,314	115,349
General administration	2,328,574	2,335,753	2,371,432	(35,679)
Plant maintenance and operations	4,368,985	4,368,986	4,760,570	(391,584)
Security and monitoring services	670,822	670,822	654,446	16,376
Data processing services	885,252	885,253	903,553	(18,300)
Community services	205,101	205,102	234,882	(29,780)
Debt Service:				
Principal on long-term debt	105,000	184,000	342,417	(158,417)
Interest on long-term debt	-	-	476,140	(476,140)
Intergovernmental:				
Contracted instructional services	1,980,493	1,980,493	1,658,588	321,905
Payments related to shared services arrangements	35,000	35,000	23,411	11,589
Payments to Juvenile Justice Alternative Education Programs	20,000	20,000	-	20,000
Other intergovernmental charges	332,000	332,000	382,628	(50,628)
Total Expenditures	42,114,671	42,114,705	42,341,367	(226,662)
Other Financing Sources (Uses)				
Other Sources	(9,000,000)	-	-	-
Other Uses	9,000,000	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net change in fund balances	-	(34)	519,525	519,559
Fund Balances - Beginning, as Restated	3,793,107	3,793,107	3,360,366	(432,741)
Fund Balances - Ending	$ 3,793,107	$ 3,793,073	$ 3,879,891	$ 86,818

STAFFORD MUNICIPAL SCHOOL DISTRICT

Exhibit G-2

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY OF A COST-SHARING MULTIPLE-EMPLOYER PENSION PLAN
TEACHER RETIREMENT SYSTEM OF TEXAS
Last Ten Measurement Years

	2024	2023	2022	2021	2020
District's proportion of the net pension liability	0.0254%	0.0282%	0.0225%	0.0229%	0.0213%
District's proportionate share of the net pension liability	$ 15,537,756	$ 19,357,063	$ 13,363,383	$ 5,838,409	$ 11,416,168
State's proportionate share of the net pension liability associated with the District	14,565,780	20,066,191	16,294,593	7,770,581	16,109,180
Total	$ 30,103,536	$ 39,423,254	$ 29,657,976	$ 13,608,990	$ 27,525,348
District's covered payroll (for Measurement Year)	$ 28,219,028	$ 30,494,246	$ 27,053,827	$ 25,979,351	$ 24,222,593
District's proportionate share of the net pension liability as a percentage of covered payroll	55.06%	63.48%	49.40%	22.47%	47.13%
Plan fiduciary net position as a percentage of the total pension liability[1]	77.51%	73.15%	75.65%	88.79%	75.54%
Plan's net pension liability as a percentage of covered payroll [1]	102.39%	122.32%	112.72%	51.08%	110.36%

	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.0187%	0.0180%	0.0178%	0.0192%	0.0195%
District's proportionate share of the net pension liability	$ 9,729,213	$ 9,928,805	$ 5,688,055	$ 7,242,566	$ 6,885,567
State's proportionate share of the net pension liability associated with the District	17,233,556	19,020,219	10,491,633	12,847,271	12,143,198
Total	$ 26,962,769	$ 28,949,024	$ 16,179,688	$ 20,089,837	$ 19,028,765
District's covered payroll (for Measurement Year)	$ 22,686,951	$ 21,938,980	$ 20,124,614	$ 20,408,255	$ 19,433,586
District's proportionate share of the net pension liability as a percentage of covered payroll	42.88%	45.26%	28.26%	35.49%	35.43%
Plan's net pension liability as a percentage of covered payroll [1]	75.24%	73.74%	82.17%	78.00%	78.43%
Plan's net pension liability as a percentage of covered payroll [1]	114.93%	126.11%	75.93%	92.75%	91.94%

[1] Per Teacher Retirement System of Texas' annual comprehensive financial report.

STAFFORD MUNICIPAL SCHOOL DISTRICT *Exhibit G-3*

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS

TEACHER RETIREMENT SYSTEM OF TEXAS

Last Ten Fiscal Years

	2025	2024	2023	2022	2021
Contractually required contributions	$ 1,481,468	$ 1,399,479	$ 1,374,714	$ 1,046,226	$ 1,017,173
Contributions in relation to the contractual required contributions	1,481,468	1,399,479	1,374,714	1,046,226	1,017,173
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 28,955,079	$ 28,219,028	$ 30,494,246	$ 27,053,827	$ 25,985,952
Contributions as a percentage of covered payroll	5.12%	4.96%	4.51%	3.87%	3.91%

	2020	2019	2018	2017	2016
Contractually required contributions	$ 851,353	$ 667,044	$ 621,642	$ 583,029	$ 608,576
Contributions in relation to the contractual required contributions	851,353	667,044	621,642	583,029	608,576
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 24,222,593	$ 22,686,951	$ 21,938,980	$ 20,124,614	$ 20,408,255
Contributions as a percentage of covered payroll	3.51%	2.94%	2.83%	2.90%	2.98%

The District implemented GASB 68 and 71 during fiscal year 2015.

STAFFORD MUNICIPAL SCHOOL DISTRICT

Exhibit G-4

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY OF A COST-SHARING MULTIPLE-EMPLOYER OPEB PLAN
TEACHER RETIREMENT SYSTEM OF TEXAS
Last Eight Measurement Years

	2024	2023	2022	2021
District's proportion of the net OPEB liability	0.0312%	0.0347%	0.0290%	0.0284%
District's proportionate share of the net OPEB liability	$ 9,466,688	$ 7,688,149	$ 6,933,009	$ 10,950,730
State's proportionate share of the net OPEB liability associated with the District	11,861,632	9,276,933	8,457,182	14,671,538
Total	$ 21,328,320	$ 16,965,082	$ 15,390,191	$ 25,622,268
District's covered payroll (for Measurement Year)	$ 28,219,028	$ 30,494,246	$ 27,053,827	$ 25,979,351
District's proportionate share of the net OPEB liability as a percentage of covered payroll	33.5%	25.2%	25.6%	42.2%
Plan fiduciary net position as a percentage of the total OPEB liability[1]	13.70%	14.94%	11.52%	6.18%
Plan's net OPEB liability as a percentage of covered payroll [1]	67.98%	51.86%	59.10%	100.13%

	2020	2019	2018	2017
District's proportion of the net OPEB liability	0.0283%	0.0280%	0.0275%	0.0269%
District's proportionate share of the net OPEB liability	$ 10,758,419	$ 13,230,649	$ 13,748,974	$ 11,700,277
State's proportionate share of the net OPEB liability associated with the District	14,456,737	17,580,573	18,643,241	15,829,896
Total	$ 25,215,156	$ 30,811,222	$ 32,392,215	$ 27,530,173
District's covered payroll (for Measurement Year)	$ 24,222,593	$ 22,686,951	$ 21,938,980	$ 20,124,614
District's proportionate share of the net OPEB liability as a percentage of covered payroll	44.4%	58.3%	62.7%	58.1%
Plan fiduciary net position as a percentage of the total OPEB liability[1]	4.99%	2.66%	1.57%	0.91%
Plan's net OPEB liability as a percentage of covered payroll [1]	101.46%	135.21%	146.64%	132.55%

Note: Ten years of data should be presented in this schedule but data is unavailable prior to 2017.
Net other-post employment liability is calculated using a new methodology and will be presented prospectively in accordance with GASB 75.

[1] Per Teacher Retirement System of Texas' annual comprehensive financial report.

STAFFORD MUNICIPAL SCHOOL DISTRICT

Exhibit G-5

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
Last Eight Fiscal Years

	2025	2024	2023	2022
Contractually required contributions	$ 271,122	$ 276,360	$ 283,576	$ 236,700
Contributions in relation to the contractual required contributions	271,122	276,360	283,576	236,700
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 28,955,079	$ 28,219,028	$ 30,494,246	$ 27,053,827
Contributions as a percentage of covered payroll	0.94%	0.98%	0.93%	0.87%

	2021	2020	2019	2018
Contractually required contributions	$ 252,287	$ 215,784	$ 193,224	$ 190,103
Contributions in relation to the contractual required contributions	252,287	215,784	193,224	190,103
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
District's covered payroll	$ 25,985,952	$ 24,222,593	$ 22,686,951	$ 21,938,980
Contributions as a percentage of covered payroll	0.97%	0.89%	0.85%	0.87%

Note: Ten years of data should be presented in this schedule but data is unavailable prior to 2018.

Note 1. Budget

A. Budgetary Information

Each school district in Texas is required by law to prepare annually a budget of anticipated revenues and expenditures for the general fund, debt service fund, and the National School Breakfast and Lunch Program special revenue fund. The Texas Education Code requires the budget to be prepared not later than August 20 and adopted by August 31 of each year. The budgets are prepared on a basis of accounting that is used for reporting in accordance with generally accepted accounting principles.

The following procedures are followed in establishing the budgetary data reflected in the fund financial schedules:

1. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
3. Prior to September 1, the budget is formally approved and adopted by the Board.

The appropriated budget is prepared by fund and function. The District's campus/department heads may make transfers of appropriations within a campus or department. Transfers of appropriations between campuses or departments require the approval of the District's management. Increasing any one of the functional spending categories, or revenues object accounts and other resources require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level within a fund. All annual appropriations lapse at fiscal year end.

B. Excess of Expenditures Over Appropriations

For the fiscal year ended August 31, 2025, expenditures exceeded appropriations in the functions (the legal level of budgetary control) of the following funds:

	Function	Final Budget	Actual	Excess Spending
General Fund:				
Instruction	11	$ 22,488,726	$ 22,539,323	$ (50,597)
General administration	41	2,335,753	2,371,432	(35,679)
Plant maintenance and operations	51	4,368,986	4,760,570	(391,584)
Data processing services	53	885,253	903,553	(18,300)
Community services	61	205,102	234,882	(29,780)
Principal on long-term debt	71	184,000	342,417	(158,417)
Interest on long-term debt	72	-	476,140	(476,140)
Other intergovernmental charges	99	332,000	382,628	(50,628)

The excess spending was funded with costs savings in other functions and through more than anticipated state aid revenues. The total of all expenditures exceeding appropriations was less than 3% of total expenditures.

Note 2. Net Pension Liability and Net OPEB Liability

Changes in actuarial assumptions and inputs

Pension:

Measurement Year	Changes
2017	None
2018	The discount rate changed from 8.0% as of August 31, 2017 to a blended rate of 6.907% as of August 31, 2018. The long-term assumed rate of return changed from 8.0% as of August 31, 2017 to 7.25% as of August 31, 2018. Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. The total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
2019	None
2020	The state and employer contribution rate changed from 6.8% to 7.5%. The 1.5% public education employer contribution applied to just employers whose employees were not covered by OASDI in 2019 and it changed in 2020 to apply to all public schools, charter schools and regional education centers irrespective of participation in OASDI.
2021	The public education employer contribution rate changed from 1.5% in 2020 to 1.6% in 2021.
2022	The discount rate changed from 7.25% to 7.00%.
2023	None
2024	None

Other Post-employment Benefits:

Measurement Year	Discount Rate	Other Changes
2017	3.42%	Updated the health care trend rate assumption, and revised demographic and economic assumptions based on the TRS experience study.
2018	3.69%	Lowered the participation rates and updated the health care trend rate assumption.
2019	2.63%	Lowered the participation rate assumption for employees who retire after the age of 65, and lowered the ultimate health care trend rate assumption to reflect the repeal of the excise (Cadillac) tax on high-cost employer health plans.
2020	2.33%	Lowered the participation rate assumption for employees who retire after the age of 65, and lowered the ultimate health care trend rate assumption to reflect the repeal of the excise (Cadillac) tax on high-cost employer health plans.
2021	1.95%	N/A
2022	3.91%	Lowered the participation rates, and updated the healthcare trend rate assumption.
2023	4.13%	Revised demographic and economic assumptions based on the TRS experience study.
2024	3.87%	The tables used to model the impact of aging on the underlying claims were revised.

SUPPLEMENTARY INFORMATION

ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2025

Data Control Codes		206 Texas Education for Homeless Children and Youth	211 ESEA, Title I, Part A - Improving Basic Programs	224 IDEA - Part B, Formula	225 IDEA - Part B, Preschool
	Assets				
1110	Cash and temporary investments	$ -	$ -	$ -	$ -
	Receivables:				
1240	Receivables from other governments	5,175	529,207	324,007	14,049
1260	Due from other funds	-	-	-	-
1000	**Total Assets**	$ 5,175	$ 529,207	$ 324,007	$ 14,049
	Liabilities and Fund Balances				
	Liabilities:				
2110	Accounts payable	$ 5,082	$ 9,521	$ 78,490	$ 12,098
2160	Accrued wages payable	-	9,474	2,904	-
2170	Due to other funds	93	509,107	242,284	1,951
2200	Accrued expenditure	-	1,105	329	-
2000	**Total Liabilities**	5,175	529,207	324,007	14,049
	Fund Balances:				
	Restricted:				
3450	Grant restrictions	-	-	-	-
	Assigned:				
3590	Other assigned	-	-	-	-
3000	**Total Fund Balances**	-	-	-	-
4000	**Total Liabilities and Fund Balances**	$ 5,175	$ 529,207	$ 324,007	$ 14,049

Data Control Codes		226 IDEA - Part B, Discretionary	240 School Breakfast and National School Lunch Program	244 Career and Technical Education - Basic Grant	255 ESEA, Title II, Part A - Supporting Effective Instruction
	Assets				
1110	Cash and temporary investments	$ -	$ 192,541	$ -	$ -
	Receivables:				
1240	Receivables from other governments	-	165,216	27,849	66,078
1260	Due from other funds	-	381,715	-	-
1000	**Total Assets**	$ -	$ 739,472	$ 27,849	$ 66,078
	Liabilities and Fund Balances				
	Liabilities:				
2110	Accounts payable	$ -	$ 79,745	$ 7,052	$ 29,898
2160	Accrued wages payable	-	103,891	-	-
2170	Due to other funds	-	-	20,797	36,180
2200	Accrued expenditure	-	12,117	-	-
2000	**Total Liabilities**	-	195,753	27,849	66,078
	Fund Balances:				
	Restricted:				
3450	Grant restrictions	-	543,719	-	-
	Assigned:				
3590	Other assigned	-	-	-	-
3000	**Total Fund Balances**	-	543,719	-	-
4000	**Total Liabilities and Fund Balances**	$ -	$ 739,472	$ 27,849	$ 66,078

Data Control Codes		263 Title III, Part A - English Language Acquisition and Language	278 ARP Homeless I	279 TCLAS ESSER III	280 ARP Homeless II
	Assets				
1110	Cash and temporary investments	$ -	$ -	$ -	$ -
	Receivables:				
1240	Receivables from other governments	63,490	1,500	-	5,619
1260	Due from other funds	-	-	1,104	-
1000	**Total Assets**	$ 63,490	$ 1,500	$ 1,104	$ 5,619
	Liabilities and Fund Balances				
	Liabilities:				
2110	Accounts payable	$ 22,022	$ 296	$ 1,104	$ -
2160	Accrued wages payable	2,237	-	-	-
2170	Due to other funds	39,188	1,204	-	5,619
2200	Accrued expenditure	43	-	-	-
2000	**Total Liabilities**	63,490	1,500	1,104	5,619
	Fund Balances:				
	Restricted:				
3450	Grant restrictions	-	-	-	-
	Assigned:				
3590	Other assigned	-	-	-	-
3000	**Total Fund Balances**	-	-	-	-
4000	**Total Liabilities and Fund Balances**	$ 63,490	$ 1,500	$ 1,104	$ 5,619

Data Control Codes		282 ESSER III Fund - ARP Act	289 Summer School LEP	410 Instructional Materials Fund	429 Miscellaneous State Grants
	Assets				
1110	Cash and temporary investments	$ -	$ -	$ -	$ -
	Receivables:				
1240	Receivables from other governments	-	451,883	-	410,785
1260	Due from other funds	28	-	420	-
1000	**Total Assets**	$ 28	$ 451,883	$ 420	$ 410,785
	Liabilities and Fund Balances				
	Liabilities:				
2110	Accounts payable	$ 28	$ 64,658	$ -	$ 124,614
2160	Accrued wages payable	-	-	-	-
2170	Due to other funds	-	382,817	-	199,268
2200	Accrued expenditure	-	-	-	-
2000	**Total Liabilities**	28	447,475	-	323,882
	Fund Balances:				
	Restricted:				
3450	Grant restrictions	-	4,408	420	86,903
	Assigned:				
3590	Other assigned	-	-	-	-
3000	**Total Fund Balances**	-	4,408	420	86,903
4000	**Total Liabilities and Fund Balances**	$ 28	$ 451,883	$ 420	$ 410,785

ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2025

Data Control Codes		461 Campus Activity Funds	499 Student Motivation	699 Capital Projects Fund	Total Nonmajor Governmental Funds
	Assets				
1110	Cash and temporary investments	$ -	$ -	$ -	$ 192,541
	Receivables:				
1240	Receivables from other governments	-	-	-	2,064,858
1260	Due from other funds	293,179	78,176	-	754,622
1000	**Total Assets**	$ 293,179	$ 78,176	$ -	$ 3,012,021
	Liabilities and Fund Balances				
	Liabilities:				
2110	Accounts payable	$ 8,254	$ 400	$ -	$ 443,262
2160	Accrued wages payable	-	-	-	118,506
2170	Due to other funds	-	-	-	1,438,508
2200	Accrued expenditure	-	-	-	13,594
2000	**Total Liabilities**	8,254	400	-	2,013,870
	Fund Balances:				
	Restricted:				
3450	Grant restrictions	-	-	-	635,450
	Assigned:				
3590	Other assigned	284,925	77,776	-	362,701
3000	**Total Fund Balances**	284,925	77,776	-	998,151
4000	**Total Liabilities and Fund Balances**	$ 293,179	$ 78,176	$ -	$ 3,012,021

Data Control Codes		206 Texas Education for Homeless Children and Youth	211 ESEA, Title I, Part A - Improving Basic Programs	224 IDEA - Part B, Formula	225 IDEA - Part B, Preschool
	Revenues				
5700	Local, intermediate, and out-of-state	$ -	$ -	$ -	$ -
5800	State program revenues	19	-	-	-
5900	Federal program revenues	5,150	898,687	599,094	13,053
5020	**Total Revenues**	5,169	898,687	599,094	13,053
	Expenditures				
	Current:				
0011	Instruction	5,169	719,094	62,792	4,553
0013	Curriculum and instructional staff development	-	64,800	-	8,500
0021	Instructional leadership	-	30,356	2,922	-
0023	School leadership	-	-	-	-
0031	Guidance, counseling and evaluation services	-	70,273	533,380	-
0032	Social work services	-	-	-	-
0033	Health services	-	-	-	-
0035	Food services	-	-	-	-
0036	Extracurricular activities	-	-	-	-
0051	Plant maintenance and operations	-	-	-	-
0052	Security and monitoring services	-	-	-	-
0053	Data processing services	-	-	-	-
0061	Community services	-	14,164	-	-
6030	**Total Expenditures**	5,169	898,687	599,094	13,053
1200	Net change in fund balances	-	-	-	-
0100	**Fund Balance - Beginning, as Previously Reported**	-	-	-	-
	Adjustments - Nonmajor fund to major fund	-	-	-	-
	Fund Balance - Beginning, as Adjusted	-	-	-	-
3000	**Fund Balance - Ending**	$ -	$ -	$ -	$ -

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2025

Data Control Codes		226 IDEA - Part B, Discretionary	240 School Breakfast and National School Lunch Program	244 Career and Technical Education - Basic Grant	255 ESEA, Title II, Part A - Supporting Effective Instruction
	Revenues				
5700	Local, intermediate, and out-of-state	$ -	$ 106,901	$ -	$ -
5800	State program revenues	-	10,679	-	-
5900	Federal program revenues	66,354	2,670,444	41,528	71,237
5020	**Total Revenues**	66,354	2,788,024	41,528	71,237
	Expenditures				
	Current:				
0011	Instruction	66,354	-	41,528	-
0013	Curriculum and instructional staff development	-	-	-	65,834
0021	Instructional leadership	-	-	-	5,403
0023	School leadership	-	-	-	-
0031	Guidance, counseling and evaluation services	-	-	-	-
0032	Social work services	-	-	-	-
0033	Health services	-	-	-	-
0035	Food services	-	2,955,674	-	-
0036	Extracurricular activities	-	-	-	-
0051	Plant maintenance and operations	-	83,858	-	-
0052	Security and monitoring services	-	-	-	-
0053	Data processing services	-	-	-	-
0061	Community services	-	-	-	-
6030	**Total Expenditures**	66,354	3,039,532	41,528	71,237
1200	Net change in fund balances	-	(251,508)	-	-
0100	**Fund Balance - Beginning, as Previously Reported**	-	795,227	-	-
	Adjustments - Nonmajor fund to major fund	-	-	-	-
	Fund Balance - Beginning, as Adjusted	-	795,227	-	-
3000	**Fund Balance - Ending**	$ -	$ 543,719	$ -	$ -

Data Control Codes		263 Title III, Part A - English Language Acquisition and Language	278 ARP Homeless I	279 TCLAS ESSER III	280 ARP Homeless II
	Revenues				
5700	Local, intermediate, and out-of-state	$ -	$ -	$ -	$ -
5800	State program revenues	-	-	-	-
5900	Federal program revenues	81,257	1,500	14,483	10,539
5020	**Total Revenues**	81,257	1,500	14,483	10,539
	Expenditures				
	Current:				
0011	Instruction	67,822	1,500	-	10,539
0013	Curriculum and instructional staff development	10,060	-	-	-
0021	Instructional leadership	1,384	-	10,865	-
0023	School leadership	-	-	-	-
0031	Guidance, counseling and evaluation services	-	-	-	-
0032	Social work services	-	-	-	-
0033	Health services	-	-	-	-
0035	Food services	-	-	-	-
0036	Extracurricular activities	-	-	-	-
0051	Plant maintenance and operations	-	-	-	-
0052	Security and monitoring services	-	-	-	-
0053	Data processing services	-	-	3,618	-
0061	Community services	1,991	-	-	-
6030	**Total Expenditures**	81,257	1,500	14,483	10,539
1200	Net change in fund balances	-	-	-	-
0100	**Fund Balance - Beginning, as Previously Reported**	-	-	-	-
	Adjustments - Nonmajor fund to major fund	-	-	-	-
	Fund Balance - Beginning, as Adjusted	-	-	-	-
3000	**Fund Balance - Ending**	$ -	$ -	$ -	$ -

Data Control Codes		282 ESSER III Fund - ARP Act	289 Summer School LEP	410 Instructional Materials Fund	429 Miscellaneous State Grants
	Revenues				
5700	Local, intermediate, and out-of-state	$ -	$ -	$ -	$ -
5800	State program revenues	-	-	17,202	821,489
5900	Federal program revenues	5,811	745,200	-	-
5020	**Total Revenues**	5,811	745,200	17,202	821,489
	Expenditures				
	Current:				
0011	Instruction	-	416,257	243,450	79,980
0013	Curriculum and instructional staff development	-	192,568	-	388,777
0021	Instructional leadership	353	72,526	-	61,905
0023	School leadership	55	-	-	-
0031	Guidance, counseling and evaluation services	-	759	-	-
0032	Social work services	-	59,195	-	-
0033	Health services	-	2,774	-	-
0035	Food services	-	-	-	-
0036	Extracurricular activities	-	-	-	-
0051	Plant maintenance and operations	325	-	-	-
0052	Security and monitoring services	-	-	-	229,760
0053	Data processing services	1,558	-	-	-
0061	Community services	3,520	1,121	-	-
6030	**Total Expenditures**	5,811	745,200	243,450	760,422
1200	Net change in fund balances	-	-	(226,248)	61,067
0100	**Fund Balance - Beginning, as Previously Reported**	-	4,408	226,668	25,836
	Adjustments - Nonmajor fund to major fund	-	-	-	-
	Fund Balance - Beginning, as Adjusted	-	4,408	226,668	25,836
3000	**Fund Balance - Ending**	$ -	$ 4,408	$ 420	$ 86,903

Data Control Codes		461 Campus Activity Funds	499 Student Motivation	699 Capital Projects Fund	Total Nonmajor Governmental Funds
	Revenues				
5700	Local, intermediate, and out-of-state	$ 263,477	$ 75,700	$ -	$ 446,078
5800	State program revenues	-	185	-	849,574
5900	Federal program revenues	-	-	-	5,224,337
5020	**Total Revenues**	263,477	75,885	-	6,519,989
	Expenditures				
	Current:				
0011	Instruction	152,587	49,881	-	1,921,506
0013	Curriculum and instructional staff development	-	-	-	730,539
0021	Instructional leadership	-	-	-	185,714
0023	School leadership	1,470	-	-	1,525
0031	Guidance, counseling and evaluation services	-	-	-	604,412
0032	Social work services	-	-	-	59,195
0033	Health services	-	-	-	2,774
0035	Food services	-	-	-	2,955,674
0036	Extracurricular activities	84,465	-	-	84,465
0051	Plant maintenance and operations	1,607	-	-	85,790
0052	Security and monitoring services	-	-	-	229,760
0053	Data processing services	-	-	-	5,176
0061	Community services	2,167	-	-	22,963
6030	**Total Expenditures**	242,296	49,881	-	6,889,493
1200	Net change in fund balances	21,181	26,004	-	(369,504)
0100	**Fund Balance - Beginning, as Previously Reported**	263,744	51,772	(257,515)	1,110,140
	Adjustments - Nonmajor fund to major fund	-	-	257,515	257,515
	Fund Balance - Beginning, as Adjusted	263,744	51,772	-	1,367,655
3000	**Fund Balance - Ending**	$ 284,925	$ 77,776	$ -	$ 998,151

REQUIRED TEA SCHEDULES

STAFFORD MUNICIPAL SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECEIVABLE

For the Year Ended August 31, 2025

	1	2	3	10	20	31	32	40	50	99
Last Ten Fiscal Years	Tax Rates Maintenance	Tax Rates Debt Service	Net Assessed/ Appraised Value For School Tax Purposes	Beginning Balance 9/1/24	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance 8/31/25	Total Taxes Refunded Under Section 26.1115(c)
2016 and prior	Various	Various	Various	$ 101,440		$ 76	$ 34	$ (33,817)	$ 67,513	
2017	$1.040050	$0.190000	$2,229,686,598	123,509		351	125	(335)	122,698	
2018	1.040050	0.190000	2,411,451,567	76,749		115	38	(95)	76,501	
2019	1.053300	0.271750	2,454,481,038	96,488		14,033	4,153	(2,065)	76,237	
2020	0.970050	0.280000	2,598,475,981	139,243		24,518	8,257	7,555	114,023	
2021	0.966400	0.255912	2,791,336,810	152,497		24,632	6,691	16,349	137,523	
2022	0.913900	0.255900	3,017,559,583	143,870		13,234	4,509	6,623	132,750	
2023	0.854600	0.244700	3,701,381,516	251,989		(89,096)	(23,276)	(138,215)	226,146	
2024	0.812700	0.215200	3,819,007,102	571,769		(621,134)	(153,282)	(971,573)	374,612	
2025	0.786900	0.215221	4,229,071,140	-	$ 42,380,410	32,737,935	8,982,860	-	659,615	
1000 Totals				$ 1,657,554	$ 42,380,410	$ 32,104,664	$ 8,830,109	$ (1,115,573)	1,987,618	
						Total Taxes Receivable Per Exhibit C-1			$ 1,987,618	
8000 Taxes Refunded										$ 4,400

STAFFORD MUNICIPAL SCHOOL DISTRICT

Exhibit J-2

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
SCHOOL BREAKFAST AND NATIONAL SCHOOL LUNCH PROGRAM
For the Year Ended August 31, 2025

	Budget			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Local, Intermediate, and Out-of-State	$ 58,837	$ 58,837	$ 106,901	$ 48,064
State Program Revenues	11,000	11,000	10,679	(321)
Federal Program Revenues	2,702,932	2,702,932	2,670,444	(32,488)
Total Revenues	2,772,769	2,772,769	2,788,024	15,255
Expenditures				
Current:				
Food Services	3,038,969	3,038,969	2,955,674	83,295
Facilities maintenance and operations	120,000	120,000	83,858	36,142
Total Expenditures	3,158,969	3,158,969	3,039,532	119,437
Increase (Decrease) in Fund Balance	(386,200)	(386,200)	(251,508)	134,692
Fund Balance - September 1 (Beginning)	795,227	795,227	795,227	-
Fund Balance - August 31 (Ending)	$ 409,027	$ 409,027	$ 543,719	$ 134,692

STAFFORD MUNICIPAL SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
DEBT SERVICE FUND
For the Year Ended August 31, 2025

	Budget			Variance with Final
	Original	**Final**	**Actual**	**Budget**
Revenues				
Local, Intermediate, and Out-of-State	$ 9,916,552	$ 9,916,552	$ 9,194,035	$ (722,517)
State Program Revenues	288,250	288,250	310,483	22,233
Total Revenues	10,204,802	10,204,802	9,504,518	(700,284)
Expenditures				
Debt Service:				
Principal on long-term debt	6,056,906	3,080,000	3,080,000	-
Interest on long-term debt	4,042,933	4,042,933	3,720,726	322,207
Issuance costs and fees	5,000	2,981,906	4,875	2,977,031
Total Expenditures	10,104,839	10,104,839	6,805,601	3,299,238
Increase (Decrease) in Fund Balance	99,963	99,963	2,698,917	2,598,954
Fund Balance - September 1 (Beginning)	3,538,914	3,538,914	3,538,914	-
Fund Balance - August 31 (Ending)	$ 3,638,877	$ 3,638,877	$ 6,237,831	$ 2,598,954

COMPENSATORY EDUCATION PROGRAM AND BILINGUAL EDUCATION PROGRAM COMPLIANCE RESPONSES
For the Year Ended August 31, 2025

Data Codes	Section A: Compensatory Education Programs	Responses
AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	$ 3,905,671
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28, 29, 30)	$ 2,181,753
	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.	$ 479,039
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PIC 25)	$ 266,687

Required Responses to Selected School FIRST Indicators

For the Year Ended August 31, 2025

SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF3	Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If the school district was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warrant hold was issued, the school district is considered **to not have made** timely payments.) Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 days from the date the warrant hold was issued. Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was issued.	Yes
SF4	Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold.	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	$ -0-

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

FEDERAL AWARDS SECTION

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

To the Board of Trustees
Stafford Municipal School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Stafford Municipal School District (the "District"), a component unit of the City of Stafford, as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise District's basic financial statements, and have issued our reports thereon dated February 17, 2026.

Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

To the Board of Trustees
Stafford Municipal School District

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.

Whitley Penn LLP

Houston, Texas
February 17, 2026

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

To the Board of Trustees
Stafford Municipal School District

Report on Compliance for Each Major Federal Program

Opinion on Each Major Program

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

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

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

Whitley Penn LLP

Houston, Texas
February 17, 2026

STAFFORD MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2025

I. Summary of Auditors' Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

Name of Federal Program or Cluster	Assistance Listing Number (ALN)
ESSA Title I, Part A - Improving Basic Programs	84.010
Title I, 1003 ESF Focused Support	84.010
2022-2024 School Action Fund Continuation	84.010
2025-2026 SFI PART B1 K- 5 MAT	84.010
Special Education Cluster	84.027, 84.173

Dollar Threshold Considered Between Type A and Type B Federal Programs	$750,000
Auditee qualified as low risk auditee?	Yes

II. Financial Statement Findings

None reported.

III. Federal Awards Findings and Questioned Costs

None reported.

STAFFORD MUNICIPAL SCHOOL DISTRICT

Exhibit K-1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended August 31, 2025

Fund	(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:			
211	*ESSA Title I, Part A - Improving Basic Programs*	84.010A	24610101079910	$ 57,027
211	*ESSA Title I, Part A - Improving Basic Programs*	84.010A	25610101079910	782,625
211	*Title I, 1003 ESF Focused Support*	84.010A	246101397110034	92,641
211	*2022-2024 School Action Fund Continuation*	84.010A	236101627110028	4,090
211	*2025-2026 SFI PART B1 K- 5 MAT*	84.010A	25610171079910	10,533
	Total ALN 84.010			946,916
224	*IDEA - Part B ,Formula*	84.027A	246600010799106600	2,850
224	*IDEA - Part B, Formula*	84.027A	256600010799106600	627,787
225	*IDEA - Part B, Preschool*	84.173A	256610010799106610	13,729
226	*High Cost Fund*	84.027A	66002506	66,354
	Total Special Education Cluster (ALN 84.027, 84.173)			710,720
206	*Texas Education for Homeless Children & Youth*	84.196A	244600057110084	1,295
206	*Texas Education for Homeless Children & Youth*	84.196A	254600057110009	4,040
	Total ALN 84.196			5,335
244	*2022-23 Perkins V: Strengthening CTE for 21st Century*	84.048A	25420006079910	43,589
255	*ESSA Title II, Part A - Supporting Effective Instruction*	84.367A	25694501079910	74,930
289	*LEP Summer School*	84.369A	69552402	5,454
263	*TITLE III, PART A- ELA*	84.365A	25671001079910	85,509
289	*2023-2024 TRI - K TO G5 Continuation*	84.371C	236470027110015	125,435
289	*2023-2024 TRI - G6 TO G12 Continuation*	84.371C	236470037110013	73,564
	Total ALN 84.371			198,999
289	*Title IV, Part A, Subpart 1*	84.424A	24680101079910	6,638
289	*Title IV, Part A, Subpart 1*	84.424A	25680101079910	33,516
289	*2024-2025 Stronger Connections*	84.424F	236811017110057	546,334
	Total ALN 84.424			586,488
278	*COVID-19 - ARP Homeless I-TEHCY Supplemental*	84.425W	215330017110077	1,500
280	*COVID-19 - ARP Homeless II*	84.425W	21533002079910	10,871
282	*COVID-19 - ARP Act ESSER III*	84.425U	21528001079910	5,811
289	*COVID-19 - ADSY Summer Learning Accelerator*	84.425U	21528088079910	18,833
279	*COVID-19 - TCLAS ESSER III*	84.425U	21528042079910	14,483
	Total ALN 84.425			51,498
	Total U.S. Department of Education			**2,709,438**
	U.S. Department of Agriculture			
	Passed Through Texas Education Agency:			
240	*School Breakfast Program*	10.553	71402501	611,386
240	*School Breakfast Program - Seamless Summer Option*	10.553	71402501	21,836
240	*National School Lunch Program*	10.555	71302501	1,663,938
240	*National School Lunch Program - Seamless Summer Option*	10.555	71302501	60,938
	Passed Through Texas Department of Agriculture:			
	Non-Cash Assistance:			
240	*National School Lunch Program - Commodities*	10.555	NT4XL1YGLGC5	150,366
	Total Child Nutrition Cluster (ALN 10.553, 10.555)			2,508,464
	Passed Through Texas Department of Agriculture:			
240	*Local Food for Schools Cooperative*	10.185	NT4XL1YGLGC5	84,993
240	*Child and Adult Care Food Program*	10.558	NT4XL1YGLGC5	68,675
240	*State Administrative Expense (SAE) Funds*	10.560	NT4XL1YGLGC5	8,312
	Total U.S. Department of Agriculture			**2,670,444**
	U.S. Department of Health And Human Services			
	Passed Through Texas Health and Human Services Commission:			
199	*Medicaid Administrative Claiming (MAC)*	93.778	079-910	1,086
	Total Medicaid Cluster (ALN 93.778)			1,086
	Total U.S. Department of Health And Human Services			**1,086**
	U.S. Department of Homeland Security			
	Passed Through Texas Department of Emergency Management:			
199	*Disaster Grants - Hurricane Beryl #4798 Project #753140*	97.036	4798DRTXP00000001	68,129
199	*Disaster Grants - Hurricane Beryl #4798 Project #800347*	97.036	4798DRTXP00000001	184,970
	Total ALN 97.036			253,099
	Total U.S. Department of Homeland Security			**253,099**
	Total Expenditures of Federal Awards			**$ 5,634,067**

Note 1. Summary of Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Stafford Municipal School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Single Audit Act Amendments of 1996 and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. National School Lunch Program non-cash commodities are recorded at their estimated market value at the time of donation.

Note 2. De Minimis Cost Rate

In accordance with 2 CFR 200.414(f), recipients and subrecipients that do not have a current Federal negotiated indirect cost rate may elect to charge a de minimis rate of up to 10 percent of modified total direct costs (MTDC). For federal awards issued on or after October 1, 2024, revisions to the Uniform Guidance increased the allowable de minimis rate to 15 percent. The District did not elect to use the de minimis indirect cost rate of 10 percent or 15 percent.

Note 3. Reconciliation to Basic Financial Statements

Presented below is a reconciliation of total federal revenues to Exhibit C-2:

Total Expenditures of Federal Awards - Exhibit K-1	$	5,634,067
Other federal revenue:		
Reserve officers' training corps (ROTC)		106,799
Total Federal Revenue - Exhibit C-2	$	5,740,866

Presented below is a reconciliation of General Fund federal revenues to Exhibit C-2:

Federal Revenue Accounted for in General Fund:		
Medicaid Administrative Claiming (MAC)	$	1,086
Reserve officers' training corps (ROTC)		106,799
Disaster Grants - Hurricane Beryl #4798		253,099
Indirect Costs		155,545
Total General Fund Federal Revenue - Exhibit C-2	$	516,529

STAFFORD MUNICIPAL SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended August 31, 2025

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

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

The Summary Schedule of Prior Audit Findings for the year ended August 31, 2025 has been prepared to address these requirements.

I. Prior Audit Findings

N/A

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

I. Corrective Action Plan

N/A

STAFFORD MUNICIPAL SCHOOL DISTRICT (FORT BEND AND HARRIS COUNTIES, TEXAS) • UNLIMITED TAX REFUNDING BONDS, TAXABLE SERIES 2026

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