Enhanced Rating: S&P: "AA"
Unenhanced Rating: S&P: "A+"
(See "RATING", "BOND INSURANCE" and
"BOND INSURANCE GENERAL RISKS" herein)

OFFICIAL STATEMENT
Dated: October 14, 2026

NEW ISSUE: **BOOK-ENTRY-ONLY**

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

THE NOTES HAVE BEEN DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

$3,985,000
CENTER INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Shelby County, Texas)
Maintenance Tax Notes, Series 2026

Interest Accrual Date: Initial Delivery
Dated Date: November 1, 2026 **Due: August 15, as shown on the inside cover page**

The Center Independent School District Maintenance Tax Notes, Series 2026 (the "Notes") are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Section 45.108 of the Texas Education Code, as amended, and a note resolution (the "Resolution") authorizing the issuance of the Notes adopted on October 14, 2026 by the Board of Trustees (the "Board") of the Center Independent School District (the "District"). The Notes constitute direct obligations of the District, secured by and payable from a continuing, direct annual ad valorem tax levied for maintenance purposes by the District against all taxable property located within the District, within the limit prescribed by law, as provided in the Resolution. (See "THE NOTES – Security" and "TAX RATE LIMITATIONS").

Interest on the Notes will accrue from the date of initial delivery to the initial purchaser (the "Purchaser"), anticipated to occur on or about November 10, 2026 (the "Initial Delivery") and will be payable on February 15 and August 15 of each year, commencing February 15, 2027, until stated maturity or prior redemption. The Notes will be issued in fully registered form in principal denominations of $5,000 or any integral multiple thereof. Principal of the Notes will be payable by the Paying Agent/Registrar, which initially is BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"), upon presentation and surrender of the Notes for payment. Interest on the Notes is payable by check dated as of the interest payment date and mailed by the Paying Agent/Registrar to the registered owners as shown on the records of the Paying Agent/Registrar on the close of business as of the last business day of the month next preceding each interest payment date.

The District intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York ("DTC"). Such Book-Entry-Only System will affect the method and timing of payment and the method of transfer of the Notes. (See "BOOK-ENTRY-ONLY SYSTEM").

Proceeds from the sale of the Notes will be used for (i) the payment of maintenance expenses of the District, including without limitation renovations and repairs of athletic facilities for baseball and softball; (ii) the acquisition of school buses; and (ii) paying costs of issuance of the Notes. (See "THE NOTES – Authorization and Purpose").

The Notes maturing on or after August 15, 2032 are subject to redemption at the option of the District, in whole or in part, on August 15, 2031 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. (see "THE NOTES – Optional Redemption").

The scheduled payment of principal of and interest on the Notes when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Notes by **ASSURED GUARANTY INC**.

The bond insurance policy was purchased at the sole discretion of the Purchaser (defined herein). (See "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" herein.)

MATURITY SCHEDULE
(On Inside Cover)

The Notes are offered for delivery when, as and if issued, and received by the initial Purchaser at a competitive sale subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. The Notes are expected to be available for initial delivery through the facilities of DTC on or about November 10, 2026.

$3,985,000
CENTER INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Shelby County, Texas)
MAINTENANCE TAX NOTES, SERIES 2026

MATURITY SCHEDULE
Base CUSIP No.: 151735 [1]

Maturity Date 8/15	Principal Amount	Interest Rate	Initial Yield	CUSIP No. Suffix[1]
2027	$360,000	5.00%	3.55%	LK1
2028	330,000	5.00	3.60	LL9
2029	345,000	5.00	3.65	LM7
2030	360,000	5.00	3.70	LN5
2031	380,000	5.00	3.80	LP0
2032	400,000	5.00	3.90[2]	LQ8
2033	420,000	5.00	4.00[2]	LR6
2034	440,000	5.00	4.05[2]	LS4
2035	465,000	5.00	4.15[2]	LT2
2036	485,000	5.00	4.25[2]	LU9

(Interest to accrue from the Delivery Date)

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(2) Yield calculated based on the assumption that the Notes denoted and sold at a premium will be redeemed on August 15, 2031, the first optional call date for such Notes, at a redemption price of par, plus accrued interest to the redemption date.

CENTER INDEPENDENT SCHOOL DISTRICT

BOARD OF TRUSTEES

Name	Date Initially Elected	Current Term Expires (Nov)	Occupation
Deuce Wulf, President	2018	2026	Business Owner
Greg Hubbard, Vice President	2022	2026	Car Salesman
Casey Lout, Secretary	2016	2028	Registered Nurse
Ben Wulf, Member	2025	2026	CEO
Cody Miller, Member	2024	2026	Supervisor
James Ragan, Member	2024	2028	Business Owner
Josh Burns, Member	2024	2028	Business Owner

APPOINTED OFFICIALS

Name	Position	Length of Education Service	Length of Service with the District
Jake Henson	Superintendent	18 Years	5 Years
Valerie Moore	Chief Financial Officer	26 Years	25 Years

CONSULTANTS AND ADVISORS

McCall, Parkhurst & Horton L.L.P., Dallas, Texas	Bond Counsel
SAMCO Capital Markets, Inc., Plano, Texas	Financial Advisor
Carr, Riggs & Ingram, L.L.C., Lufkin, Texas	Certified Public Accountants

For additional information, contact:

Jake Henson
Superintendent
Center Independent School District
107 PR 605
Center, TX 75935
(936) 598-5642

Doug Whitt / Brian Grubbs
SAMCO Capital Markets, Inc.
5800 Granite Parkway, Suite 210
Plano, Texas 75024
(214) 765-1469
(214) 279-8683 (Fax)

USE OF INFORMATION IN OFFICIAL STATEMENT

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

No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon.

The information set forth herein has been obtained from the District and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Purchaser or the Financial Advisor. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein.

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

NONE OF THE DISTRICT, ITS FINANCIAL ADVISOR, OR THE PURCHASER 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, AS SUCH INFORMATION WAS PROVIDED BY DTC AND OR THE BOND INSURER AND ITS MUNICIPAL BOND INSURANCE POLICY DESCRIBED HEREIN UNDER THE HEADING "BOND INSURANCE", AS SUCH INFORMATION WAS PROVIDED BY DTC AND THE BOND INSURER, RESPECTIVELY.

The agreements of the District and others related to the Notes 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 Notes is to be construed as constituting an agreement with the purchasers of the Notes. INVESTORS SHOULD READ THIS ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

Assured Guaranty Inc. ("AG") makes no representation regarding the Notes or the advisability of investing in the Notes. In addition, AG has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AG supplied by AG and presented under the heading "BOND INSURANCE" and "Appendix E - Specimen Municipal Bond Insurance Policy".

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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 Notes 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 this entire Official Statement.

The District	The Center Independent School District (the "District") is a political subdivision of the State of Texas located in Shelby County, Texas. The District is governed by a seven-member Board of Trustees (the "Board"). Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools who is the chief administrative officer of the District. Support services are supplied by consultants and advisors.
The Notes	The Notes are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Section 45.108 of the Texas Education Code, as amended, and a note resolution (the "Resolution") authorizing the issuance of the Notes adopted on October 14, 2026 by the Board. The Notes constitute direct obligations of the District, secured by and payable from a continuing, direct annual ad valorem tax levied for maintenance purposes by the District against all taxable property located within the District, within the limit prescribed by law, as provided in the Resolution. (See "THE NOTES– Security" and "TAX RATE LIMITATIONS"). Proceeds from the sale of the Notes will be used for (i) the payment of maintenance expenses of the District, including without limitation renovations and repairs of athletic facilities for baseball and softball; (ii) the acquisition of school buses; and (ii) paying costs of issuance of the Notes. (See "THE NOTES – Authorization and Purpose").
Paying Agent/Registrar	The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. The District intends to use the Book-Entry-Only System of The Depository Trust Company. (See "BOOK-ENTRY-ONLY SYSTEM" herein).
Security	The Notes are direct obligations of the District payable as to principal and interest from and secured by the proceeds of a continuing, direct annual ad valorem tax levied for maintenance purposes by the District, against all taxable property located within the District, within the limit prescribed by law as provided in the Resolution. (See "THE NOTES – Security" herein.) See "TAX RATE LIMITATIONS" herein for a discussion of applicable tax limitations pertaining to the District's limited maintenance tax.
Optional Redemption	The Notes maturing on or after August 15, 2032 are subject to redemption at the option of the District, in whole or in part, on August 15, 2031 or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. (see "THE NOTES – Optional Redemption").
Rating and Note Insurance	S&P Global Ratings ("S&P") is expected to assign its municipal bond insured rating of "AA" to this issue of Notes with the understanding that upon issuance and delivery of the Notes, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Notes will be issued by Assured Guaranty Inc. The District's current unenhanced, underlying rating is "A+" by S&P. (See "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" herein.)
Tax Matters	In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, interest on the Notes will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on certain corporations.
Qualified Tax-Exempt Obligations	The District has designated the Notes as "Qualified Tax-Exempt Obligations" for financial institutions. (See "TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions").
Payment Record	The District has never defaulted on the payment of its bonded indebtedness.
Legal Opinion	Delivery of the Notes is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel.
Delivery	When issued, anticipated to be on or about November 10, 2026.

INTRODUCTORY STATEMENT

This Official Statement (the "Official Statement"), which includes the cover page and Appendices attached hereto, has been prepared by the Center Independent School District (the "District"), a political subdivision of the State of Texas (the "State") located in Shelby County, Texas, in connection with the offering by the District of its Maintenance Tax Notes, Series 2026 (the "Notes") identified on page ii 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.

There follows in this Official Statement descriptions of the Notes and the Resolution (defined below) adopted by the Board of Trustees of the District (the "Board") on October 14, 2026 authorizing the issuance of the Notes 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 writing the Center Independent School District, 107 PR 605, Center, TX 75935 and, during the offering period, from the Financial Advisor, SAMCO Capital Markets, Inc., 5800 Granite Parkway, Suite 210, Plano, Texas 75024 by electronic mail or upon payment of reasonable copying, mailing, and handling charges.

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 Notes will be submitted by the Purchaser of the Notes to the Municipal Securities Rulemaking Board, and will be available through its Electronic Municipal Market Access system. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the District's undertaking to provide certain information on a continuing basis.

THE NOTES

Authorization and Purpose

The Notes are being issued in the principal amount of $3,985,000 pursuant to the Constitution and general laws of the State of Texas, particularly Section 45.108 of the Texas Education Code, as amended, and a note resolution (the "Resolution") authorizing the issuance of the Notes adopted on October 14, 2026 by the Board. Proceeds from the sale of the Notes will be used for (i) the payment of maintenance expenses of the District, including without limitation renovations and repairs of athletic facilities for baseball and softball; (ii) the acquisition of school buses; and (ii) paying costs of issuance of the Notes. (See "THE NOTES – Authorization and Purpose").

General Description

The Notes are dated November 1, 2026 (the "Dated Date") but interest will accrue from the Initial Delivery. The Notes will mature on the dates and in the principal amounts set forth on page ii of this Official Statement. Interest on the Notes will be computed on the basis of a 360-day year of twelve 30-day months, and is payable on February 15, 2027 and on each August 15 and February 15 thereafter until stated maturity or prior redemption.

The Notes will be issued only as fully registered Notes. The Notes will be issued in the denominations of $5,000 of principal or any integral multiple thereof within a maturity.

Interest on the Notes is payable by check mailed on or before each interest payment date by the Paying Agent/Registrar, initially, BOKF, NA, Dallas, Texas, to the registered owner at the last known address as it appears on the Paying Agent/Registrar's registration books on the Record Date (as defined herein) or by such other customary banking arrangement acceptable to the Paying Agent/Registrar and the registered owner to whom interest is to be paid, provided, however, that such person shall bear all risk and expense of such other arrangements. Principal of the Notes will be payable only upon presentation of such Notes at the corporate trust office of the Paying Agent/Registrar at stated maturity or prior redemption. So long as the Notes are registered in the name of CEDE & CO. or other nominee for The Depository Trust Company, New York, New York ("DTC"), payments of principal of and interest on the Notes will be made as described in "BOOK-ENTRY-ONLY SYSTEM" herein.

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

Optional Redemption

The Notes maturing on or after August 15, 2032, are subject to redemption, at the option of the District, in whole or in part, on August 15, 2031, or any date thereafter, at a price equal to the principal amount thereof, plus accrued interest to the date of redemption. If less than all of the Notes are to be redeemed, the District shall determine the amounts and maturities thereof to be redeemed and shall direct the Paying Agent/Registrar to select by lot the Notes, or portions thereof, to be redeemed. Not less than 30 days prior to a redemption date for the Notes, the District shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to each registered owner of a Note to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice.

Notice of Redemption and DTC Notices

Not less than 30 days prior to an optional redemption date for the Notes, a notice of redemption shall be sent by United States mail, first class postage prepaid, in the name of the District and at the District's expense, by the Paying Agent/Registrar to each registered owner of a Note to be redeemed in whole or in part at the address of the registered owner appearing on the Security Register at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER RECEIVED BY THE NOTEHOLDER, AND, SUBJECT TO PROVISION FOR PAYMENT OF THE REDEMPTION PRICE HAVING BEEN MADE, AND ANY PRECONDITIONS STATED IN THE NOTICE OF REDEMPTION HAVING BEEN SATISFIED INTEREST ON THE REDEEMED NOTES SHALL CEASE TO ACCRUE FROM AND AFTER SUCH REDEMPTION DATE NOTWITHSTANDING THAT A NOTE HAS NOT BEEN PRESENTED FOR PAYMENT.

The Paying Agent/Registrar and the District, so long as a Book-Entry-Only System is used for the Notes, will send any notice of redemption, notice of proposed amendment to the Resolution or other notices with respect to the Notes only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Notes called for redemption or any other action premised on any such notice. Redemption of portions of the Notes by the District will reduce the outstanding principal amount of such Notes held by DTC. In

such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Notes held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Notes from the beneficial owners. Any such selection of Notes to be redeemed will not be governed by the Resolution and will not be conducted by the District or the Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Notes or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Notes for redemption. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Security

The Notes are direct obligations of the District and are payable as to both principal and interest from and secured by the proceeds of a continuing, direct annual ad valorem tax levied for maintenance purposes by the District against all taxable property located within the District, within the limit prescribed by law, as provided in the Resolution. (See “TAX RATE LIMITATIONS” herein for a discussion of applicable tax limitations pertaining to the maintenance tax. See also “AD VALOREM TAX PROCEDURES” and "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS” herein).

Legality

The Notes are offered when, as and if issued, subject to the approval of legality by the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. (See “LEGAL MATTERS” and “Appendix C - Form of Legal Opinion of Bond Counsel”).

Payment Record

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

Amendments

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

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

Defeasance

The Resolution provides for the defeasance of the Notes when payment of the principal amount of the Notes plus interest accrued on the Notes to their due date (whether such due date be by reason of stated maturity, redemption or otherwise), is provided by irrevocably depositing with a paying agent, or other authorized escrow agent, in trust (1) money in an amount sufficient to make such payment and/or (2) Defeasance Securities, that will mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Notes, 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 notes, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The District has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance. The Resolution provides that “Defeasance Securities” means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Notes. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District authorizes the defeasance, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that on the date the governing body of the District adopts or approves the proceedings authorizing the defeasance are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. There is no assurance that the 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 Notes. Because the Resolution does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used for defeasance purposes or that for any other Defeasance Security will be maintained at any particular rating category

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

Sources and Uses of Funds

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

Sources		
Par Amount of Notes	$	3,985,000.00
Reoffering Premium		147,038.55
Total Sources of Funds	$	4,132,038.55
Uses		
Deposit to Project Fund	$	4,000,000.00
Costs of Issuance		88,019.99
Purchaser's Discount		44,018.56
Total Uses of Funds	$	4,132,038.55

REGISTERED OWNERS' REMEDIES

The Resolution does not specify specific events of default with respect to the Notes. If the District defaults in the payment of principal or interest on the Notes when due, or if it fails to make payments into any fund or funds created in the Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Resolution, the registered owners may seek a writ of mandamus to compel District officials to carry out their legally imposed duties with respect to the Notes, if there is no other available remedy at law to compel performance of the Notes or the Resolution 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 Notes in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Resolution does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the District to perform in accordance with the terms of the Resolution, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court has ruled in Tooke v. City of Mexia, 197 S.W.3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. 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 Notes or Resolution covenants. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Notes. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Resolution and the Notes are qualified with respect to the customary rights of debtors relative to their creditors by general principles of equity which permit the exercise of judicial discretion.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Notes is to be transferred and how the principal of, premium, if any, and interest on the Notes are to be paid to and credited by DTC while the Notes are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District, the Financial Advisor and the Purchaser believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

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

DTC will act as securities depository for the Notes. The Notes 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 Note certificate will be issued for each maturity of the Notes, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("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 Notes 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 Notes, except in the event that use of the Book-Entry-Only System for the Notes is discontinued.

To facilitate subsequent transfers, all Notes 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 Notes 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 Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes 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 Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as, redemption, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

All payments on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with 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 with respect to the Notes 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 Notes at any time by giving reasonable notice to the District or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, physical Note certificates are required to be printed and delivered.

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

The information in this section concerning DTC and DTC's Book-Entry-Only System has been obtained from sources that the District believes to be reliable, but none of the District, the Financial Advisor, nor the Purchaser take any responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Notes 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 Direct or Indirect Participant acquires an interest in the Notes, 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 Resolution will be given only to DTC.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar for the Notes is BOKF, NA, Dallas, Texas. In the Resolution, the District covenants to maintain and provide a Paying Agent/Registrar until the Notes are duly paid.

Successor Paying Agent/Registrar

Provision is made in the Resolution for replacing the Paying Agent/Registrar. If the District replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the District shall be a commercial bank or trust company organized under the laws of the United States or any state or other entity duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Notes. Upon any change in the Paying Agent/Registrar for the Notes, the District has agreed to promptly cause a written notice thereof to be sent to each registered owner of the Notes by United States mail, first-class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Initial Registration

Definitive Notes will be initially registered and delivered only to CEDE & CO., the nominee of DTC pursuant to the Book-Entry-Only System described herein.

Future Registration

In the event the Book-Entry-Only System is discontinued, the Notes may be transferred, registered and assigned on the registration books only upon presentation and surrender of the Notes 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 Note may be assigned by the execution of an assignment form on the Notes or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Note or Notes will be delivered by the Paying Agent/Registrar in lieu of the Note or Notes being transferred or exchanged at the corporate trust 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 Notes issued in an exchange or transfer of Notes 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 Notes 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 Notes registered and delivered in an exchange or transfer shall be in authorized denominations and for a like aggregate principal amount as the Notes surrendered for exchange or transfer.

Record Date For Interest Payment

The record date ("Record Date") for determining the person to whom the interest on the Notes is payable on any interest payment date means the close of business on the last business day of the next preceding month. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date" 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 Note 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.

Limitation on Transfer of Notes

The Paying Agent/Registrar shall not be required to make any such transfer, conversion or exchange (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any Note or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

Replacement Notes

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

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Notes, Assured Guaranty Inc. ("AG") will issue its Municipal Bond Insurance Policy (the "Policy") for the Notes. The Policy guarantees the scheduled payment of principal of and interest on the Notes when due as set forth in the form of the Policy included as an appendix to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, Maryland, California, Connecticut or Florida insurance law.

Assured Guaranty Inc.

AG is a Maryland domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL" and together with its subsidiaries, "Assured Guaranty"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO." AGL, through its subsidiaries, provides credit enhancement products to the U.S. and non-U.S. public finance (including infrastructure) and structured finance markets, and participates in the asset management business through ownership interests in Sound Point Capital Management, LP and certain of its investment management affiliates, and in the annuity reinsurance business through Assured Life Reinsurance Ltd. Only AG is obligated to pay claims under the insurance policies AG has issued, and not AGL or any of its shareholders or other affiliates.

AG's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A1" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AG should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AG in its sole discretion. In addition, the rating agencies may at any time change AG's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AG. AG only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AG on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On August 3, 2026, KBRA announced that it had affirmed AG's insurance financial strength rating of "AA+" (stable outlook).

On July 27, 2026, Moody's announced that it had affirmed AG's insurance financial strength rating of "A1" (stable outlook).

On July 17, 2026, S&P announced that it had affirmed AG's financial strength rating of "AA" (stable outlook).

AG can give no assurance as to any further ratings action that S&P, Moody's and/or KBRA may take. For more information regarding AG's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2025.

Capitalization of AG

At June 30, 2026:

- The policyholders' surplus of AG was approximately $3,088 million.
- The contingency reserve of AG was approximately $1,569 million.

- The net unearned premium reserves and net deferred ceding commission income of AG and its subsidiaries (as described below) were approximately $2,411 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AG and (ii) the net unearned premium reserves and net deferred ceding commissions of AG's wholly owned subsidiary Assured Guaranty UK Limited ("AGUK"), and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA ("AGE").

The policyholders' surplus, contingency reserve, and net unearned premium reserves and net deferred ceding commission income of AG were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGUK and AGE were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AG are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2025 (filed by AGL with the SEC on February 27, 2026);

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2026 (filed by AGL with the SEC on May 8, 2026); and

(iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2026 (filed by AGL with the SEC on August 7, 2026).

All information relating to AG included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Notes shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Inc.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AG included herein under the caption "BOND INSURANCE – Assured Guaranty Inc." or included in a document incorporated by reference herein (collectively, the "AG Information") shall be modified or superseded to the extent that any subsequently included AG Information (either directly or through incorporation by reference) modifies or supersedes such previously included AG Information. Any AG Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AG makes no representation regarding the Notes or the advisability of investing in the Notes. In addition, AG has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AG supplied by AG and presented under the heading "BOND INSURANCE".

BOND INSURANCE GENERAL RISKS

As a result of the purchase of the Policy by the Purchaser, the following risk factors are applicable to the Policy and the Notes.

General

In the event of default of the payment of principal or interest with respect to the Notes when all or some becomes due, any owner of the Notes shall have a claim under the Policy for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy will not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Notes by the District which is recovered by the District from the note owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the Insurer at such time and in such amounts as would have been due absent such prepayment by the District unless the Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Insurer without appropriate consent. The Insurer may reserve the right to direct and to consent to any remedies available to the holders of the Notes and the Insurer's consent may be required in connection with amendments to the Resolution.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Notes are payable solely as described in the Resolution. In the event the Insurer becomes obligated to make payments with respect to the Notes, no assurance is given that such event will not adversely affect the market price of the Notes or the marketability (liquidity) for the Notes.

The long-term ratings on the Notes are dependent in part on the financial strength of the Insurer and its claim paying ability. The Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Insurer and of the ratings on the Notes insured by the Insurer will not be subject to downgrade and such event could adversely affect the market price of the Notes or the marketability (liquidity) for the Notes. See "BOND INSURANCE" herein.

The obligations of the Insurer are general obligations of the Insurer and in an event of default by the Insurer, the remedies available to the Paying Agent/Registrar may be limited by applicable bankruptcy law or other similar laws related to insolvency.

None of the District, the Financial Advisor, or the Purchaser have made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay the principal of and interest on the Notes and the claims paying ability of the Insurer, particularly over the life of the investment. See "BOND INSURANCE" herein for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

Claims-Paying Ability and Financial Strength of Municipal Bond Insurers

Moody's Investors Services, Inc., S&P Global Ratings ("S&P") and Fitch Ratings, Inc. (collectively, the "Rating Agencies") have, since 2008, downgraded the claims-paying ability and financial strength of providers of municipal bond insurance on multiple occasions. Additional downgrades or negative change in the rating outlook for these bond insurers is possible. In addition, recent events in the credit markets have had substantial negative effect on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims paying ability of such bond insurers, including the Insurer of the Notes. Thus, when making an investment decision, potential investors should carefully consider the ability of the Insurer to pay principal and interest on the Notes and the claims paying ability of the Insurer, particularly over the life of the investment.

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

Litigation Relating to the Texas Public School Finance System

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

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

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

Current Litigation Relating to the Texas Public School Finance System

On July 22, 2026, Midland Independent School District filed a suit in the 126th Judicial Court of Travis County, Texas, styled Midland Independent School District v. Mike Morath, Commissioner of Education, et al. (Cause No. D-1-GN-26-006002), against Mike Morath, in his official capacity as Commissioner of Education, and the State of Texas ("*Morath II*"). *Morath II* is an original action for declaratory judgment and challenges the constitutionality of the Finance System.

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

Possible Effects of Changes in Law on District Bonds

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

Although, as a matter of law, the Notes, 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 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 Notes, specifically, the District's obligation to levy an unlimited debt service tax 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. The information contained under the captions "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" and "TAX RATE LIMITATIONS" is subject to change, and only reflects the District's understanding based on information available to the District as of the date of this Official Statement. Voter approval of a constitutional amendment submitted to the voters at an election held on November 4, 2025 are noted below. See " - 2025 Legislative Session," below. For a more complete description of school finance and fiscal management in the State, reference is made to Chapters 43 through 49 of the Texas Education Code, as amended. Additionally, prospective investors are encouraged to review the Property Tax Code (as defined herein) for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the defined tax rates.

Local funding 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 rate for the purpose of creating 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 Legislative Session

The regular session of the 89th Texas Legislature (the "Legislature") commenced on January 14, 2025 and concluded on June 2, 2025 (the "89th Regular Session"). The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor of Texas (the "Governor") may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda (any such special sessions, together with the 89th Regular Session, are collectively referred to herein as the "2025 Legislative Sessions"). The Governor called a first special session, which began on July 21, 2025 and ended on August 15, 2025. The Governor called a second special session, which began on August 15, 2025 and ended on September 4, 2025.

During the 89th Regular Session, the Legislature considered a general appropriations act and legislation affecting the Finance System and ad valorem taxation procedures and exemptions, and investments, among other legislation affecting school districts and the administrative agencies that oversee school districts. Pursuant to a Statewide election held on November 4, 2025, and legislation passed by both houses of the Legislature there is an increase: (1) in the State mandated general homestead exemption from $100,000 to $140,000, (2) the additional exemption on the residence homesteads of those at least sixty-five (65) years of age or disabled from $10,000 to $60,000, and (3) the exemption for tangible personal property used in the "production of income" from $2,500 to $125,000. Additionally, the Legislature passed legislation that authorized roughly $8.5 billion in funding for public schools and provides districts with a $55 per-student increase to their base funding beginning September 1, 2025, as well as provides districts with additional funding for teacher and staff salaries, educator preparation, special education, safety requirements and early childhood learning. Finally, legislation passed by the Legislature and signed into law by the Governor will create an education savings account program (commonly referred to as vouchers) for students that attend private schools or home school. The legislation became effective on 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. The legislation applies beginning with the 2026-2027 school year. Beginning on September 1, 2027, the legislation requires that the amount appropriated for purposes of the program for a state fiscal biennium must be established by the legislature by appropriation for that 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 cannot make any representations as to the full impact of such legislation. Further, the District can make no representations or predictions regarding the scope of legislation that may be considered in any special session or the potential impact of such legislation at this time, but it intends to monitor applicable legislation related thereto.

Local Funding for School Districts

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

State Compression Percentage

The State Compression Percentage is a statutorily-defined percentage of the rate of $1.00 per $100 that is used to determine a school district's Maximum Compressed Tax Rate (described below). The State Compression Percentage is the lesser of three alternative calculations: (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 State Compression Percentage. For any year, the maximum State Compression Percentage is 93%. For the State fiscal year ending in 2026, the State Compression Percentage is set at 63.22%. For the State fiscal year ending in 2027, the State Compression Percentage is set at 62.54%.

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 set to 90% of such other school district's MCR, until TEA determines that the difference between the school district's MCR and any other school district's MCR is not more than 10%. These compression formulas are intended to more closely equalize local generation of Tier One funding among districts with disparate tax bases and generally reduce the Tier One Tax Rates of school districts as property values increase. For the 2025-2026 school year, the Legislature reduced the MCR, establishing $0.6322 as the maximum rate and $0.5689 as the floor. The MCR for the 2026-27 school year is $0.6254 and the floor is $0.5628.

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.

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 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 the unique school district characteristics and demographics of students in ADA, to make up most of a school district's Tier One entitlement under the Foundation School Program.

The 2026-2027 Basic Allotment for school districts with a Tier One Tax Rate equal to the school district's MCR, is $6,160 plus the guaranteed yield increment adjustment (the "GYIA") for each student in ADA and is revised downward for school districts with a Tier One Tax Rate lower than the school district's MCR. The GYIA is established by October 1 of each even-numbered year for the subsequent biennium. For the 2026-27 biennium, the GYIA is set at $55. The Basic Allotment is then supplemented for all school districts by various weights to account for differences among school districts and their student populations. Such additional allotments include, but are not limited to, increased funds for students in ADA who: (i) attend a qualified special education program, (ii) are diagnosed with dyslexia or a related disorder, (iii) are economically disadvantaged, or (iv) have limited English language proficiency. Additional allotments to mitigate differences among school districts include, but are not limited to: (i) a transportation allotment for mileage associated with transporting students who reside two miles or more from their home campus, (ii) a fast growth allotment (for school districts in the top 25% of enrollment growth relative to other school districts), (iii) a college, career and military readiness allotment to further Texas' goal of increasing the number of students who attain a post-secondary education or workforce credential, and (iv) a teacher incentive allotment to increase teacher compensation and retention in disadvantaged or rural school districts. A school district's total Tier One funding, divided by the district's Basic Allotment, is a school district's measure of students in "Weighted Average Daily Attendance" ("WADA"), which serves to calculate Tier Two funding.

The fast growth allotment weights are 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 was limited to $320 million for the 2026-2027 State fiscal biennium.

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

Tier Two

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

Existing Debt Allotment, Instructional Facilities Allotment, and New Instructional Facilities Allotment

The Foundation School Program also includes facilities funding components consisting of the IFA and the EDA, subject to legislative appropriation each State fiscal biennium. To the extent funded for a biennium, these programs assist school districts in funding facilities by, generally, equalizing a school district's I&S tax effort. The IFA guarantees each awarded school district a specified amount per student (the "IFA Yield") in State and local funds for each cent of I&S tax levied to pay the principal of and interest on eligible bonds issued to construct, acquire, renovate or improve instructional facilities. The IFA Yield has been $35 since this program first began in 1997. New awards of IFA are only available if appropriated funds are allocated for such purpose by the State Legislature. To receive an IFA award, in years where new IFA awards are available, a school district must apply to the

Commissioner in accordance with rules adopted by the TEA before issuing the bonds to be paid with IFA State assistance. The total amount of debt service assistance over a biennium for which a school district may be awarded is limited to the lesser of (1) the actual debt service payments made by the school district in the biennium in which the bonds are issued; or (2) the greater of (a) $100,000 or (b) $250 multiplied by the number of students in ADA. The IFA is also available for lease-purchase agreements and refunding bonds meeting certain prescribed conditions. Once a school district receives an IFA award for bonds, it is entitled to continue receiving State assistance for such bonds without reapplying to the Commissioner. A school district may use additional state aide 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 percent 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 "-Tax Rate and Funding Equity" below).

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

Tax Rate and Funding Equity

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

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

Local Revenue Level in Excess of Entitlement

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

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

Options for Local Revenue Levels in Excess of Entitlement

Under Chapter 49, a school district has six options to reduce local revenues to a level that does not exceed the school district's respective entitlements: (1) a school district may consolidate by agreement with one or more school districts to form a consolidated school district; all property and debt of the consolidating school districts vest in the consolidated school district; (2) a school district may detach property from its territory for annexation by a property-poor school district; (3) a school district may purchase attendance credits from the State; (4) a school district may contract to educate nonresident students from a property-poor school district by sending money directly to one or more property-poor school districts; (5) a school district may execute an agreement to provide students of one or more other school districts with career and technology education through a program designated as an area program for career and technology education; or (6) a school district may consolidate by agreement with one or more school districts to form a consolidated taxing school district solely to levy and distribute either M&O taxes or both M&O taxes and I&S taxes. A Chapter 49 school district may also exercise any combination of these remedies. Options (3), (4) and (6) require prior approval by the Chapter 49 school district's voters.

A district that enters into an agreement to exercise an option to reduce the district's local revenue level in excess of entitlement under options (3), (4), or (5) for the 2025-2026 school year and that has not previously held an election to exercise said options may request and may receive approval from the Commissioner to delay the date of the election otherwise required to be ordered before

September 1. The Commissioner shall set a date by which each district that receives approval to delay an election must order the election and requires the Commissioner, not later than the 2026-2027 school year, to order detachment and annexation of district property or consolidation as necessary to reduce the district's excess local revenue to the level established by law for a district that receives approval to delay an election and subsequently fails to hold the election or does not receive voter approval at the election. A district that receives approval of a request to delay the date of an election shall pay for credit purchased in equal monthly payments as determined by the Commissioner beginning March 15, 2026, and ending August 15, 2026. Alternatively, the district may pay for credit purchased with one lump sum payment made not later than August 15, 2026, provided that the district notifies the Commissioner of the district's election to pay through a lump sum not later than March 15, 2026.

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

Possible Effects of Wealth Transfer Provisions on the District's Financial Condition

For the 2026-2027 school year, the District was not designated as an "excess local revenue" Chapter 49 school district by TEA. Accordingly, the District has not been required to exercise one of the wealth equalization options permitted under applicable State Law. As a district with local revenues less than the maximum permitted level, the District may benefit in the future by agreeing to accept taxable property or funding assistance from or agreeing to consolidate with, a property-rich district to enable such district to reduce its wealth per student to the permitted level. A district's "excess local revenues" must be tested for each future school year and, if it exceeds the maximum permitted level, the District must reduce its wealth per student by the exercise of one of the permitted wealth equalization options. Accordingly, if the District's wealth per student should exceed the maximum permitted value in future school years, it will be required to exercise one or more of the permitted wealth equalization 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 ration of taxable property to debt could become diluted. If the District were to detach property voluntarily, a portion of its outstanding debt (including the Notes) could be assumed by the district to which the property is annexed, in which case timely payment of the Notes could become dependent in part on the financial performance of an annexing district.

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

AD VALOREM TAX PROCEDURES

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

Valuation of Taxable Property

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

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

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

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

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

State Mandated Homestead Exemptions

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

Local Option Homestead Exemptions

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

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 sixty-five (65) years old or older or disabled may be adjusted to reflect any statutory reduction from the preceding tax year in the MCR of the M&O taxes imposed for those purposes on the homestead. See "Appendix A – Financial Information of the District – Assessed Valuation" for the reduction in taxable valuation, if any, attributable to local option homestead exemptions.

State Mandated Freeze on School District Taxes

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

Personal Property

Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property. Beginning with the 2026 tax year, a person is entitled to an exemption from taxation by a taxing unit of $125,000 of the appraised value of tangible personal property the person owns that is held or used for the production of income and has taxable situs at the same location in the taxing unit. A person who leases tangible personal property is also entitled to a tax exemption of $125,000, regardless of where the property is located in the taxing unit.

Freeport and Goods-In-Transit Exemptions

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

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

A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property. See "Appendix A – Financial Information of the District – Assessed Valuation" for the reduction in taxable valuation, if any, attributable to Goods-in-Transit or Freeport Property exemptions.

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 damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. Except in situations where the territory is declared a disaster on or after the date the taxing unit adopts a tax rate for the year in which the disaster declaration is issued, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the Governor declares the area to be a disaster area. The Legislature amended Section 11.35 Tax Code to clarify that "damage" for the purposes of such statute is limited to "physical damage." For more information on the exemption, reference is made to Section 11.35 of the Tax Code, as amended.

Tax Increment Reinvestment Zones

A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones ("TIRZ") within its boundaries. At the time of the creation of the TIRZ, a "base value" for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the "tax increment". During the existence of the TIRZ, all or a portion of the taxes levied

against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

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

Tax Limitation Agreements

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

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" herein.

Tax Abatement Agreements

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

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" herein.

District and Taxpayer Remedies

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

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

TAX RATE LIMITATIONS

M&O Tax Rate Limitations

A school district is authorized to levy maintenance and operation ("M&O") taxes subject to approval of a proposition submitted to district voters. The maximum M&O tax rate that may be levied by a district cannot exceed the voted maximum rate or the maximum rate described in the succeeding paragraphs. The maximum voted M&O tax rate for the District is $1.50 per $100 of assessed valuation as approved by the voters at an election held on March 10, 1962 pursuant to Article 2784e-1, Texas Revised Civil Statutes Annotated, as amended.

The maximum maintenance tax rate per $100 of taxable value that may be adopted by an independent school district is the sum of $0.17 and the school district's MCR. The District's MCR is, generally, inversely proportional to the change in taxable property values both within the District and the State, and is subject to recalculation annually. For any year, highest possible MCR for an independent school district is $0.93.

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

I&S Tax Rate Limitations

A school district is also authorized to issue bonds and levy taxes for payment of bonds subject to voter approval of 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 NOTES – 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. **The Notes are not secured by the District's I&S Rate and are therefore not subject to the $0.50 threshold tax rate 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.

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

values, adjusted such that lost values are not included in the calculation of the prior year's taxable values and new values are not included in the current year's taxable values.

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

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

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

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.

THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT

The Appraisal District has the responsibility for appraising property in the District as well as other taxing units in Shelby County. The Appraisal District is governed by a board of directors appointed by members of the governing bodies of various political subdivisions within Shelby County.

Property within the District is assessed as of January 1 of each year, taxes become due October 1 of the same year and become delinquent on February 1 of the following year.

The District does not tax personal property not used in the production of income, such as personal automobiles.

The District does collect an additional 20% penalty to defray attorney costs in the collection of delinquent taxes over and above the penalty automatically assessed under the Tax Code.

The District's taxes are collected by the Shelby County Tax Office.

The District does not allow split payments and does not give discounts for early payment of taxes.

The District does not participate in a tax increment financing zone. The District has not granted any tax abatements.

The District does grant a portion of the additional local option exemption of up to 20% of the market value of residence homesteads.

The District has not granted the freeport exemption. The District has not taken action to tax goods-in-transit.

EMPLOYEE BENEFIT PLANS AND OTHER POST-EMPLOYMENT BENEFITS

The District's employees participate in a retirement plan (the "Plan") with the State of Texas. The Plan is administered by the Teacher Retirement System of Texas ("TRS"). State contributions are made to cover costs of the TRS retirement plan up to certain statutory limits. The District is obligated for a portion of TRS costs relating to employee salaries that exceed the statutory limit. Aside from the District's contribution to TRS, the District has no pension fund expenditures or liabilities. For fiscal year ended August 31, 2025, the District made a contribution to TRS on a portion of their employee's salaries that exceeded the statutory minimum. The District generally does not offer any post-employment retirement benefits and has no liabilities for "Other Post Employment Retirement Benefits" as defined in GASB Statement No. 45. For a discussion of the TRS retirement plan, see "Note 4. OTHER INFORMATION - Defined Benefit Pension Plan" to the audited financial statements of the District that are attached hereto as Appendix D (the "Financial Statements").

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

RATING

S&P Global Ratings ("S&P") is expected to assign its municipal bond insured rating of "AA" to this issue of Notes with the understanding that upon issuance and delivery of the Notes, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Notes will be issued by ASSURED GUARANTY INC. The District's current unenhanced, underlying rating is "A+" by S&P. (See "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS").

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

The above rating is not a recommendation to buy, sell or hold the Notes, and such rating may be subject to revision or withdrawal at any time by S&P. Any downward revision or withdrawal of the rating may have an adverse effect on the market price or marketability of the Notes.

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

LEGAL MATTERS

The delivery of the Notes is subject to the approval of the Attorney General of Texas to the effect that the Notes are valid and legally binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, within the limit prescribed by law, upon all taxable property in the District, and the approving legal opinion of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel to the District ("Bond Counsel"), to like effect and to the effect that the interest on the Notes will be excludable from gross income for federal income tax purposes under section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. The form of Bond Counsel's opinion is attached hereto as Appendix C. The legal fee to be paid to Bond Counsel for services rendered in connection with the issuance of the Notes is contingent upon the sale and delivery of the Notes.

The District will furnish to the Initial Purchaser a complete transcript of proceedings incident to the authorization and issuance of the Notes, including the unqualified approving legal opinion of the Attorney General of Texas approving the initial Note and to the effect that the Notes are valid and legally binding obligations of the District and, based upon examination of such transcripts of proceedings, the approving legal opinions of Bond Counsel, to like effect and to the effect that the interest on the Notes will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. The customary closing papers, including a certificate of the District as described under "CERTIFICATION OF THE OFFICIAL STATEMENT" will also be furnished to the Initial Purchaser. Though it represents the Financial Advisor and investment banking firms such as the Initial Purchaser from time to time in matters unrelated to the issuance of the Notes, Bond Counsel has been engaged by and only represents the District in connection with the issuance of the Notes. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Notes in the Official Statement to verify that such description conforms to the provisions of the Resolution.

The various legal opinions to be delivered concurrently with the delivery of the Notes 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 the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

TAX MATTERS

Opinion

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

In rendering its opinion, Bond Counsel will rely upon (a) the District's federal tax certificate, and (b) covenants of the Issuer with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Notes, and certain other matters. Failure by the District to observe the aforementioned representations or covenants could cause the interest on the Notes to become taxable retroactively to the date of issuance.

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

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

A ruling was not sought from the Internal Revenue Service by the District with respect to the Notes or the property financed or refinanced with proceeds of the Notes. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Notes, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal

Revenue Service audit is commenced, under current procedures the IRS is likely to treat the District as the taxpayer and the holders of the Notes may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

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

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

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

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

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

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Notes. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

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

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

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

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

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

State, Local and Foreign Taxes

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

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Notes under Federal or state law and could affect the market price or marketability of the Notes. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion

for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Notes should consult their own tax advisors regarding the foregoing matters.

Information Reporting and Backup Withholding

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

Qualified Tax-Exempt Obligations for Financial Institutions

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on behalf of" and "subordinate" issuers) who issues no more than $10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in Section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a "bank," as defined in Section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

The District has designated the Notes as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the District has covenanted to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Notes as "qualified tax-exempt obligations." **Potential purchasers should be aware that if the issue price to the public exceeds $10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of $10,000,000 is disregarded; however, the Internal Revenue Service could take a contrary view. If the IRS takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the aforementioned dollar limitation and the Notes would not be "qualified tax-exempt obligations".**

INVESTMENT POLICIES

Investments

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

Legal Investments

Under State law, the District is authorized to invest in: (1) obligations, 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 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, 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 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 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; (16) 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 and (17) aggregate repurchase agreement transactions entered into by an investing entity in conformity with the provisions of subsections (a-1), (f), and (g) of Section 2256.011 of the Public Funds Investment Act.

The District may 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 State law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for District funds, maximum allowable stated maturity of any individual investment owned by the District and the maximum average dollar-weighted maturity allowed for pooled fund groups. 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 an 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 and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and 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

Current Investments

As of July 31, 2026, the District had approximately $6,636,408 (unaudited) invested at Lone Star Investment Pool (which generally has the characteristics of a money market mutual fund), and approximately $5,232,397 invested at a local bank. The market value of such investments (as determined by the District by reference to published quotations, dealer bids, and comparable information) is approximately 100% of the book value. No funds of the District are invested in derivative securities; i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

REGISTRATION AND QUALIFICATION OF NOTES FOR SALE

No registration statement relating to the Notes has been filed with the SEC under the United States Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2). The Notes have not been approved or disapproved by the SEC, nor has the SEC passed upon the accuracy or adequacy of the Official Statement. The Notes have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Notes been registered or qualified under the securities acts of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Notes under the securities laws of any jurisdiction in which the Notes may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Notes 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 Purchaser to register or qualify the sale of the Notes under the securities laws of any jurisdiction which so requires. The District has agreed to cooperate, at the Purchaser's written request and sole expense, in registering or qualifying the Notes 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.

CYBERSECURITY RISK MANAGEMENT

The District's operations are increasingly dependent on information technologies and services, which are exposed to cybersecurity risks and cyber incidents or attacks. While the District continually assesses and monitors its cybersecurity risks, the District has been (and may be in the future) subject to cyber-attacks from time to time. In response to such assessments and monitoring, the District takes actions it deems appropriate in response to cybersecurity risks, including, but not limited to, implementing cybersecurity training programs, obtaining technology improvements to mitigate cybersecurity risks, and taking

other similar measures. 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. However, no assurance can be given that the District will fully prevent or successfully remediate the operational and/or financial impact of any cybersecurity incursions or incidents arising from events wholly or partially beyond the District's control, including electrical telecommunications outages, natural disasters or cyber-attacks initiated by criminal activities of individuals or organizations. Any such occurrence could materially and adversely affect the District's operations and/or financial condition.

FINANCIAL ADVISOR

SAMCO Capital Markets, Inc. (the "Financial Advisor") is employed as Financial Advisor to the District to assist in the issuance of the Notes. In this capacity, the Financial Advisor has compiled certain data relating to the Notes that is contained in this Official Statement. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the District to determine the accuracy or completeness of this Official Statement. Because of their limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fee of the Financial Advisor for services with respect to the Notes is contingent upon the issuance and sale of the Notes. In the normal course of business, the Financial Advisor may from time to time sell investment securities to the District for the investment of bond proceeds or other funds of the District upon the request of the District.

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code) provides that the Notes are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Notes by municipalities or other political subdivisions or public agencies of the State, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Notes be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "RATING" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Notes are legal investments for state banks, savings banks, trust companies with at least $1 million of capital, and savings and loan associations. The Notes are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value.

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data annually to the MSRB. The information to be updated includes financial information and operating data with respect to the District of the general type included in this Official Statement in Appendix A (such information being the "Annual Operating Report"). The District will additionally provide financial statements of the District (the "Financial Statements"), that will be (i) prepared in accordance with the accounting principles described in Appendix D or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation and shall be in substantially the form included in Appendix D and (ii) audited, if the District commissions an audit of such Financial Statements and the audit is completed within the period during which they must be provided. The District will update and provide the Annual Operating Report within six months after the end of each fiscal year and the Financial Statements within 12 months of the end of each fiscal year, in each case beginning with the fiscal year ending in and after 2026. The District may provide the Financial Statements earlier, including at the time it provides its Annual Operating Report, but if the audit of such Financial Statements is not complete within 12 months after any such fiscal year end, then the District shall 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 Financial Statements becomes available.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the Rule.

The District's current fiscal year end is August 31. Accordingly, the Annual Operating Report must be provided by the last day of February in each year, and the Financial Statements must be provided by August 31 of each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Notice of Certain Events

The District will also provide timely notices of certain events to the MSRB. The District will provide notice of any of the following events with respect to the Notes 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 by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Notes, or other material events affecting the tax status of the Notes; (7) modifications to rights of holders of the Notes, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Notes, 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 of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District, 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 others 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 annual financial information in accordance with their agreement described above under "Annual Reports". The District will provide each notice described in this paragraph to the MSRB. Neither the Notes nor the Resolution make any provision for a trustee, debt service reserves, credit enhancement, or liquidity enhancement.

For these purposes, (a) an event described in clause (12) of 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. For the purposes of the above describe event notices (15) and (16), the term "financial obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii); provided however, that a "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

Availability of Information

All information and documentation filing required to be made by the District in accordance with its undertaking made for the Notes will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB through EMMA at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of 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 has been 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 Notes 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 Notes may seek a writ of mandamus to compel the District to comply with its agreement. Nothing in this paragraph is intended or shall act to disclaim, waive or limit the District's duties under federal or state securities laws.

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if, but only if, (1) the agreement, as so amended, would have permitted underwriters to purchase or sell Notes in the initial primary offering in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Notes consent or (b) any qualified person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Notes. 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 Notes in the primary offering of the Notes. If the District amends its agreement, it has agreed to include with the financial information and operating data next 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 operating data so provided.

Compliance with Prior Undertakings

During the past five years, to the best of its knowledge, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

LITIGATION

In the opinion of District officials, except as may be described in this Official Statement, the District is not a party to any litigation or other proceeding pending or to their 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 of the District.

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.

WINNING BIDDER

After requesting competitive bids for the Notes, the District accepted the bid of BOK Financial Securities, Inc. (the "Purchaser" or the "Initial Purchaser") to purchase the Notes at the interest rates shown on page ii of this Official Statement at a price of par, plus a cash premium of $147,038.55, which produces compensation to the Purchaser in the amount of $44,018.56. The District can give no assurance that any trading market will be developed for the Notes after their sale by the District to the Purchaser.

The District has no control over the price at which the Notes are subsequently sold and the initial yield at which the Notes will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

CERTIFICATION OF THE OFFICIAL STATEMENT

At the time of payment for and delivery of the Initial Note, the Purchaser will be furnished a certificate, executed by proper officials of the District, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the District contained in its Official Statement, and any addenda, supplement or amendment thereto, for the Notes, on the date of such Official Statement, on the date of sale of said Notes and the acceptance of the best bid therefor, and on the date of the delivery, were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements including financial data, of or pertaining to entities, other than the District, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the District believes to be reliable and the District has no reason to believe that they are untrue in any material respect; (d) except as may be otherwise described in the Official Statement, there has been no material adverse change in the financial condition of the District, since August 31, 2025, the date of the last financial statements of the District appearing in the Official Statement; and (e) no litigation of any nature has been filed or is pending, as of the date hereof, to restrain or enjoin the issuance or delivery of the Notes or which would affect the provisions made for their payment or security or in any manner question the validity of the Notes.

CONCLUDING STATEMENT

No person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell or 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 of solicitation.

The information set forth herein has been obtained from the District's records, audited financial statements and other sources which the District considers 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 Resolution contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and the Resolution. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects. All information contained in this Official Statement is subject, in all respects, to the complete body of information contained in the original sources thereof. In particular, no opinion or representation is rendered as to whether any projection will approximate actual results, and all opinions, estimates and assumption, whether or not expressly identified as such, should not be considered statements of fact.

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

The Resolution approved the form and content of this Official Statement and any addenda, supplement or amendment thereto and authorized its further use in the re-offering of the Notes by the Purchaser.

/s/ Deuce Wulf

President, Board of Trustees

ATTEST:

/s/ Casey Lout

Secretary, Board of Trustees

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APPENDIX A

FINANCIAL INFORMATION OF THE DISTRICT

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CENTER INDEPENDENT SCHOOL DISTRICT

Financial Information

ASSESSED VALUATION [1]

2026/27 Total Valuation		$ 1,638,199,129
Less Exemptions & Deductions [2]:		
State Homestead Exemption	$ 236,624,620	
State Over-65 Exemption	15,639,388	
Disabled Exemption	2,643,082	
Local Optional 20% Homestead Exemption	35,384,747	
Veterans Exemption	428,412	
Pollution Control	2,189,650	
Business Property & Other Partial Exemptions	32,198,927	
Productivity Loss	511,645,420	
Homestead Cap Loss	25,273,376	
Non-Homestead (23.231) Cap Loss	20,649,575	
	$ 882,677,197	
2026/27 Certified Net Taxable Valuation		$ 755,521,932

(1) Source: Certified Values from the Shelby County Appraisal District as of August 20, 2026.
(2) Excludes the values on which property taxes are frozen for persons 65 years of age or older and disabled taxpayers which totaled $1,538,254 in 2025/26.

OUTSTANDING OBLIGATIONS

Unlimited Tax Bonds Outstanding	$ 36,610,000
Non-Voted General Fund Obligations Outstanding	-
Plus: The Notes	3,985,000
Total Obligations	40,595,000
Less: Interest & Sinking Fund Balance (As of August 31, 2026) [1]	(720,000)
Net General Obligation Debt	$ 39,875,000

Ratio of Net G.O. Debt to Net Taxable Valuation [2]	5.28%
2026 Population Estimate [3]	10,026
Per Capita Net Taxable Valuation	$75,356
Per Capita Net G.O. Debt	$3,977

(1) Source: Center ISD Estimate.
(2) The ratio of Net G.O. Debt to Net Taxable Valuation above includes the Maintenance Tax Notes, which are payable solely from the limited maintenance and operations tax or other lawfully available funds of the District. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM," "VOTED BOND DEBT SERVICE REQUIREMENTS" and the "Audited Financial Report Fiscal Year Ended August 31, 2025" in this Official Statement for more information relative to the District's obligations.
(3) Source: The Municipal Advisory Council of Texas.

PROPERTY TAX RATES AND COLLECTIONS

Fiscal Year	Net Taxable Valuation	Tax Rate	% Collections [7] Current [8]	% Collections [7] Total [8]
2010/11	$ 534,145,102 [1]	$ 1.2338	96.59%	99.58%
2011/12	577,098,580 [1]	1.3338	96.84%	99.30%
2012/13	606,286,525 [1]	1.3338	96.14%	98.76%
2013/14	584,139,376 [1]	1.3338	96.47%	99.20%
2014/15	614,041,947 [1]	1.3338	96.68%	99.08%
2015/16	567,860,223 [1] [2]	1.3338	96.52%	99.99%
2016/17	535,075,240 [1] [2]	1.3338	96.18%	100.66%
2017/18	533,394,894 [1] [2]	1.3338	96.63%	99.30%
2018/19	545,106,215 [1] [2]	1.4138	97.51%	100.38%
2019/20	565,258,702 [1] [2]	1.3121 [9]	95.29%	97.59%
2020/21	569,053,003 [1] [2]	1.3572	97.25%	101.63%
2021/22	602,865,362 [1] [2]	1.3277	97.58%	99.61%
2022/23	670,605,063 [1] [3]	1.2304	97.22%	99.25%
2023/24	707,757,060 [1] [4]	1.0450	96.78%	99.58%
2024/25	685,453,225 [1] [4]	1.0450	96.41%	99.98%
2025/26	694,701,764 [1] [5]	1.0450	95.00% [10]	96.00% [10]
2026/27	755,521,932 [5] [6]	1.0075		

(1) Source: Comptroller of Public Accounts - Property Tax Division. See the Assessed Valuation section in this Appendix for additional information.
(2) The passage of a Texas constitutional amendment on November 3, 2015 increased the homestead exemption from $15,000 to $25,000.
(3) The passage of a Texas constitutional amendment on May 7, 2022 increased the homestead exemption from $25,000 to $40,000.
(4) The passage of a Texas constitutional amendment on November 7, 2023 increased the homestead exemption from $40,000 to $100,000.
(5) The passage of a Texas constitutional amendment on November 4, 2025 increased the homestead exemption from $100,000 to $140,000.
(6) Source: Certified Values from the Shelby County Appraisal District as of August 20, 2026.
(7) Source: Center ISD Audited Financial Statements.
(8) Excludes penalties and interest.
(9) The decline in the District's Maintenance & Operation Tax from the 2018/19 fiscal year to the 2026/27 fiscal year is a function of House Bill 3 adopted by the Texas Legislature in June 2019. See "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in this Official Statement.
(10) Source: Center ISD Estimate.

TAX RATE DISTRIBUTION [1]

	2022/23	2023/24	2024/25	2025/26	2026/27
Maintenance & Operations [2]	$0.9429	$0.7575	$0.7575	$0.7575	$0.7200
Debt Service	$0.2875	$0.2875	$0.2875	$0.2875	$0.2875
Total Tax Rate	$1.2304	$1.0450	$1.0450	$1.0450	$1.0075

(1) On September 18, 2010, the District successfully held a tax ratification election at which the voters of the District approved a maintenance and operations tax not to exceed $1.17.
(2) The decline in the District's Maintenance & Operations Tax from the 2018/19 fiscal year to the 2026/27 fiscal year is a function of House Bill 3 adopted by the Texas Legislature in June 2019.

VALUATION AND FUNDED DEBT HISTORY

Fiscal Year	Net Taxable Valuation	Bond Debt Outstanding [1]	Ratio Debt to A.V. [2]
2010/11	$ 534,145,102	$ 10,666,399	2.00%
2011/12	577,098,580	9,510,756	1.65%
2012/13	606,286,525	8,699,397	1.43%
2013/14	584,139,376	7,924,414	1.36%
2014/15	614,041,947	7,184,178	1.17%
2015/16	567,860,223	6,362,121	1.12%
2016/17	535,075,240	5,670,000	1.06%
2017/18	533,394,894	21,770,000	4.08%
2018/19	545,106,215	22,865,000	4.19%
2019/20	565,258,702	30,065,000	5.32%
2020/21	569,053,003	28,900,000	5.08%
2021/22	602,865,362	37,015,000	6.14%
2022/23	670,605,063	38,835,000	5.79%
2023/24	707,757,060	38,150,000	5.39%
2024/25	685,453,225	37,400,000	5.46%
2025/26	694,701,764	36,610,000	5.27%
2026/27	755,521,932 [3]	35,780,000 [4]	4.74%

(1) At fiscal year end. Excludes General Fund Obligations, which are not voted unlimited tax debt.
(2) See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in this Official Statement and "VOTED BOND DEBT SERVICE REQUIREMENTS" in this Appendix and see the "Audited Financial Report Fiscal Year Ended August 31, 2025" in Appendix D for more information.
(3) Source: Certified Values from the Shelby County Appraisal District as of August 20, 2026.
(4) Includes the Bonds.

ESTIMATED OVERLAPPING DEBT STATEMENT

Taxing Body	Amount	Percent Overlapping	Amount Overlapping
City of Center	$ 5,782,369	100.00%	$ 5,782,369
Shelby County	-	38.51%	-
Total Overlapping Debt [1]			$ 5,782,369
Center Independent School District [2]			39,875,000
Total Direct & Overlapping Debt [1] [2]			$ 45,657,369

Ratio of Net Direct & Overlapping Debt to Net Taxable Valuation	6.04%
Per Capita Direct & Overlapping Debt	$4,554

(1) Equals gross-debt less self-supporting debt.
(2) Includes the Notes. Includes General Fund Obligations, which are not voted unlimited tax debt.

Source: Municipal Advisory Council of Texas. The District has not independently verified the accuracy or completeness of such information (except for the amounts relating to the District), and no person should rely upon such information as being accurate or complete.

2026/27 Top Ten Taxpayers [1]

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
Tyson Farms QOZB LLC - Feed Mill	Feedlot	$ 44,766,360	5.93%
Tyson Foods Inc.	Food Production	30,219,550	4.00%
New Generation Gas Gather LLC	Natural Gas Utility	28,794,540	3.81%
Midcoast Pipeline LP	Oil & Gas Pipeline	24,123,930	3.19%
BTA ETG Gathering LLC	Oil & Gas	20,664,740	2.74%
BNSF Railway Co.	Railroad	19,874,500	2.63%
Southwestern Electric Power Co.	Electric Utility	11,594,400	1.53%
PAC 1 - Portacool	Portable Cooling Manufacturer	10,799,308	1.43%
Wal-Mart TRS LLC	Commercial	8,100,000	1.07%
XTO Energy Inc.	Oil & Gas	6,008,303	0.80%
		$ 204,945,631	27.13%

2025/26 Top Ten Taxpayers [2]

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
Tyson Farms QOZB LLC - Feed Mill	Feedlot	$ 46,309,730	6.67%
Tyson Foods Inc.	Food Production	29,816,930	4.29%
Midcoast Pipeline LP	Oil & Gas Pipeline	22,332,990	3.21%
BNSF Railway Co.	Railroad	19,998,210	2.88%
BTA ETG Gathering LLC	Oil & Gas	18,596,580	2.68%
Southwestern Electric Power Co.	Electric Utility	9,492,540	1.37%
Wal-Mart TRS LLC	Commercial	8,100,000	1.17%
Wal-Mart Stores	Retail Store	5,509,690	0.79%
General Shelters of Texas Ltd.	Portable Building Manufacturer	5,386,760	0.78%
XTO Energy Inc.	Oil & Gas	5,249,380	0.76%
		$ 170,792,810	24.59%

2024/25 Top Ten Taxpayers [2]

Name of Taxpayer	Type of Business	Taxable Value	% of Net Valuation
Tyson Farms QOZB LLC - Feed Mill	Feedlot	$ 46,206,250	6.74%
Tyson Foods Inc.	Food Production	30,084,500	4.39%
Midcoast Pipeline LP	Oil & Gas Pipeline	22,627,590	3.30%
BNSF Railway Co.	Railroad	20,641,960	3.01%
BTA ETG Gathering LLC	Oil & Gas	18,704,000	2.73%
Southwestern Electric Power Co.	Electric Utility	8,402,040	1.23%
Wal-Mart TRS LLC	Commercial	7,700,000	1.12%
XTO Energy Inc.	Oil & Gas	6,744,030	0.98%
General Shelters of Texas Ltd.	Portable Building Manufacturer	4,690,270	0.68%
Port-A-Cool LLC	Portable Cooling Manufacturer	4,570,260	0.67%
		$ 170,370,900	24.86%

(1) Source: Shelby County Appraisal District.
(2) Source: Comptroller of Public Accounts - Property Tax Division.

CLASSIFICATION OF ASSESSED VALUATION BY USE CATEGORY

Category	2026/27 [1]	% of Total	2025/26 [2]	% of Total	2024/25 [2]	% of Total
Real, Residential, Single-Family	$ 313,500,408	19.14%	$ 289,064,809	18.86%	$ 268,832,125	19.45%
Real, Residential, Multi-Family	8,622,450	0.53%	5,130,812	0.33%	3,974,265	0.29%
Real, Vacant Lots/Tracts	8,451,035	0.52%	8,008,107	0.52%	6,294,958	0.46%
Real, Qualified Land & Improvements	535,162,802	32.67%	553,965,453	36.14%	474,332,087	34.32%
Real, Non-Qualified Land & Improvements	187,054,364	11.42%	174,266,155	11.37%	162,941,965	11.79%
Real, Commercial & Industrial	265,064,033	16.18%	239,731,011	15.64%	206,662,955	14.95%
Oil & Gas	19,432,950	1.19%	12,750,440	0.83%	16,822,050	1.22%
Utilities	141,772,900	8.65%	99,977,960	6.52%	99,051,060	7.17%
Tangible Personal, Commercial	61,948,637	3.78%	55,376,993	3.61%	48,685,207	3.52%
Tangible Personal, Industrial	69,394,750	4.24%	67,816,340	4.42%	68,656,450	4.97%
Tangible Personal, Mobile Homes & Other	22,099,830	1.35%	21,056,510	1.37%	20,819,640	1.51%
Tangible Personal, Residential Inventory	3,100	0.00%	2,970	0.00%	19,980	0.00%
Tangible Personal, Special Inventory	5,691,870	0.35%	5,604,210	0.37%	4,866,910	0.35%
Total Appraised Value	$ 1,638,199,129	100.00%	$ 1,532,751,770	100.00%	$ 1,381,959,652	100.00%
Less:						
Homestead Cap Adjustment	$ 25,273,376		$ 25,177,005		$ 31,791,308	
Non-Homestead (23.231) Cap Adjustment	20,649,575		11,666,096		4,015,488	
Productivity Loss	511,645,420		532,265,920		437,191,007	
Exemptions	325,108,826 [3]		268,940,985 [3]		223,508,624 [4]	
Total Exemptions/Deductions [7]	$ 882,677,197		$ 838,050,006		$ 696,506,427	
Net Taxable Assessed Valuation	$ 755,521,932		$ 694,701,764		$ 685,453,225	

Category	2023/24 [2]	% of Total	2022/23 [2]	% of Total	2021/22 [2]	% of Total
Real, Residential, Single-Family	$ 239,773,832	17.32%	$ 203,091,667	18.31%	$ 171,914,598	17.39%
Real, Residential, Multi-Family	3,888,480	0.28%	3,862,760	0.35%	2,614,260	0.26%
Real, Vacant Lots/Tracts	5,937,070	0.43%	5,470,160	0.49%	5,497,780	0.56%
Real, Qualified Land & Improvements	479,877,038	34.67%	323,311,688	29.15%	313,870,936	31.75%
Real, Non-Qualified Land & Improvements	141,263,441	10.21%	119,668,156	10.79%	104,832,065	10.60%
Real, Commercial & Industrial	209,505,021	15.14%	188,645,530	17.01%	153,894,843	15.57%
Oil & Gas	55,975,130	4.04%	47,484,580	4.28%	37,325,450	3.78%
Utilities	97,646,620	7.05%	78,327,140	7.06%	71,246,950	7.21%
Tangible Personal, Commercial	44,838,043	3.24%	43,220,948	3.90%	42,343,505	4.28%
Tangible Personal, Industrial	81,183,660	5.87%	71,600,390	6.46%	67,334,820	6.81%
Tangible Personal, Mobile Homes & Other	19,273,870	1.39%	19,294,670	1.74%	13,437,950	1.36%
Tangible Personal, Residential Inventory	23,740	0.00%	32,760	0.00%	32,760	0.00%
Tangible Personal, Special Inventory	5,006,680	0.36%	5,073,890	0.46%	4,262,850	0.43%
Total Appraised Value	$ 1,384,192,625	100.00%	$ 1,109,084,339	100.00%	$ 988,608,767	100.00%
Less:						
Homestead Cap Adjustment	$ 26,412,619		$ 13,196,586		$ 843,995	
Non-Homestead (23.231) Cap Adjustment	-		-		-	
Productivity Loss	442,529,492		287,595,020		280,957,938	
Exemptions	207,493,454 [4]		137,687,670 [5]		103,941,472 [6]	
Total Exemptions/Deductions [7]	$ 676,435,565		$ 438,479,276		$ 385,743,405	
Net Taxable Assessed Valuation	$ 707,757,060		$ 670,605,063		$ 602,865,362	

(1) Source: Certified Values from the Shelby County Appraisal District as of August 20, 2026.
(2) Source: Comptroller of Public Accounts - Property Tax Division.
(3) The passage of a Texas constitutional amendment on November 4, 2025 increased the homestead exemption from $100,000 to $140,000.
(4) The passage of a Texas constitutional amendment on November 7, 2023 increased the homestead exemption from $40,000 to $100,000.
(5) The passage of a Texas constitutional amendment on May 7, 2022 increased the homestead exemption from $25,000 to $40,000.
(6) The passage of a Texas constitutional amendment on November 3, 2015 increased the homestead exemption from $15,000 to $25,000.
(7) Excludes values on which property taxes are frozen for persons 65 years of age or older and disabled taxpayers.

VOTED BOND PRINCIPAL REPAYMENT SCHEDULE

Fiscal Year Ending 8/31	Outstanding Bonds	Bonds Unpaid At Year End	Percent of Principal Retired
2027	$ 830,000.00	$ 35,780,000.00	2.27%
2028	870,000.00	34,910,000.00	4.64%
2029	910,000.00	34,000,000.00	7.13%
2030	940,000.00	33,060,000.00	9.70%
2031	975,000.00	32,085,000.00	12.36%
2032	1,010,000.00	31,075,000.00	15.12%
2033	1,045,000.00	30,030,000.00	17.97%
2034	1,080,000.00	28,950,000.00	20.92%
2035	1,120,000.00	27,830,000.00	23.98%
2036	1,160,000.00	26,670,000.00	27.15%
2037	1,205,000.00	25,465,000.00	30.44%
2038	1,250,000.00	24,215,000.00	33.86%
2039	1,300,000.00	22,915,000.00	37.41%
2040	1,355,000.00	21,560,000.00	41.11%
2041	1,410,000.00	20,150,000.00	44.96%
2042	1,475,000.00	18,675,000.00	48.99%
2043	1,535,000.00	17,140,000.00	53.18%
2044	1,600,000.00	15,540,000.00	57.55%
2045	1,670,000.00	13,870,000.00	62.11%
2046	1,745,000.00	12,125,000.00	66.88%
2047	1,820,000.00	10,305,000.00	71.85%
2048	1,905,000.00	8,400,000.00	77.06%
2049	1,960,000.00	6,440,000.00	82.41%
2050	2,055,000.00	4,385,000.00	88.02%
2051	2,150,000.00	2,235,000.00	93.90%
2052	2,235,000.00	-	100.00%
Total	$ 36,610,000.00		

NON-VOTED GENERAL FUND MAINTENANCE TAX NOTES DEBT SERVICE REQUIREMENTS [(1)]

Fiscal Year	Series 2026, Maintenance Tax Notes			Notes Unpaid	Percent of Principal
Ending 8/31	Principal	Interest	Total	At Year End	Retired
2027	$ 360,000.00	$ 152,204.86	$ 512,204.86	$ 3,625,000.00	9.03%
2028	330,000.00	181,250.00	511,250.00	3,295,000.00	17.31%
2029	345,000.00	164,750.00	509,750.00	2,950,000.00	25.97%
2030	360,000.00	147,500.00	507,500.00	2,590,000.00	35.01%
2031	380,000.00	129,500.00	509,500.00	2,210,000.00	44.54%
2032	400,000.00	110,500.00	510,500.00	1,810,000.00	54.58%
2033	420,000.00	90,500.00	510,500.00	1,390,000.00	65.12%
2034	440,000.00	69,500.00	509,500.00	950,000.00	76.16%
2035	465,000.00	47,500.00	512,500.00	485,000.00	87.83%
2036	485,000.00	24,250.00	509,250.00	-	100.00%
	$ 3,985,000.00	$ 1,117,454.86	$ 5,102,454.86		

(1) General Fund Obligations are payable solely from the limited maintenance and operations tax or other lawfully available funds of the District.

VOTED BOND DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 8/31	Outstanding Debt Service [1]
2027	$ 2,311,288.76
2028	2,308,563.76
2029	2,311,063.76
2030	2,309,238.76
2031	2,311,163.76
2032	2,311,788.76
2033	2,310,963.76
2034	2,308,493.76
2035	2,309,468.76
2036	2,308,711.26
2037	2,311,078.76
2038	2,311,551.26
2039	2,311,798.76
2040	2,311,343.76
2041	2,308,243.76
2042	2,312,531.26
2043	2,308,968.76
2044	2,307,543.76
2045	2,307,750.01
2046	2,309,378.13
2047	2,307,650.00
2048	2,312,281.25
2049	2,279,562.50
2050	2,279,206.25
2051	2,282,400.00
2052	2,279,700.00
	$ 59,941,733.32

(1) Based on it's wealth per student, the District expects to receive approximately $65,000 of state financial assistance for the payment of debt service for the fiscal year 2026/27. The amount of state financial assistance for debt service, if any, may differ substantially each year depending on a variety of factors, including the amount, if any, appropriated for that purpose by the state legislature and a school district's wealth per student. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM" in this Official Statement.

TAX ADEQUACY WITH RESPECT TO THE DISTRICT'S BONDS

Projected Maximum Debt Service Requirement [1]	$	2,312,531.26
Projected State Financial Assistance for Debt Service [2]		65,000.00
Projected State Financial Assistance for Hold Harmless of Increased Homestead Exemption [2]		310,000.00
Projected Net Debt Service Requirement	$	1,937,531.26
$0.26168 Tax Rate @ 98% Collections Produces	$	1,937,531.26
2026/27 Certified Net Taxable Valuation [3]	$	755,521,932

(1) Includes the Bonds.
(2) The amount of state financial assistance for debt service, if any, may differ substantially each year depending on a variety of factors, including the amount, if any, appropriated for that purpose by the state legislature and a school district's wealth per student. The District will receive Existing Debt Allotment state aid in 2026/27, and they will receive additional state aid for the increase in the homestead exemption which took effect in 2015/16, 2022/23, 2023/24 and 2025/26.
(3) Source: Certified Values from the Shelby County Appraisal District as of August 20, 2026.

AUTHORIZED BUT UNISSUED BONDS

The District has no authorized but unissued ad valorem tax bonds. The District may incur other financial obligations payable from its collection of taxes and other sources of revenue, including public property finance contractual obligations, delinquent tax notes, and leases for various purposes payable from State appropriations and surplus maintenance taxes.

COMPARATIVE STATEMENT OF GENERAL FUND REVENUES AND EXPENDITURES [1]

	Fiscal Year Ended August 31				
	2021	**2022**	**2023**	**2024**	**2025**
Beginning Fund Balance	**$ 11,162,129**	**$ 11,991,264**	**$ 14,777,100**	**$ 14,717,441**	**$ 12,689,949**
Revenues:					
Local and Intermediate Sources	$ 6,317,110	$ 6,757,381	$ 7,148,871	$ 6,367,923	$ 5,907,662
State Sources	21,105,171	19,997,275	20,275,093	21,025,880	21,846,118
Federal Sources & Other	654,139	463,729	664,770	390,638	420,599
Total Revenues	**$ 28,076,420**	**$ 27,218,385**	**$ 28,088,734**	**$ 27,784,441**	**$ 28,174,379**
Expenditures:					
Instruction	$ 13,000,582	$ 14,325,246	$ 15,202,180	$ 15,864,172	$ 15,425,902
Instructional Resources & Media Services	247,407	246,874	185,317	180,646	196,777
Curriculum and Staff Development	287,432	150,559	153,695	147,916	111,743
Instructional Leadership	598,725	369,958	546,016	587,124	435,095
School Leadership	1,373,434	625,946	1,581,738	1,708,839	1,911,362
Guidance, Counseling & Evaluation Services	1,064,769	446,583	851,676	919,392	1,086,198
Health Services	232,000	228,986	257,477	260,092	272,439
Student (Pupil) Transportation	1,505,455	1,483,110	1,578,057	2,266,088	1,503,263
Cocurricular/Extracurricular Activities	1,048,009	1,016,274	1,078,896	1,295,729	1,378,858
General Administration	1,181,590	970,601	1,340,137	1,265,804	1,559,935
Plant Maintenance and Operations	2,253,834	3,073,412	3,194,799	3,607,455	3,525,452
Security and Monitoring Services	287,180	236,011	346,379	396,810	344,095
Data Processing Services	443,555	554,831	523,962	513,529	532,160
Community Services	165,180	176,094	223,128	250,940	208,743
Debt Service - Principal on Long Term Debt	2,955,000	107,288	125,443	120,171	667,600
Debt Service - Interest on Long Term Debt	308,478	105,904	185,868	180,749	-
Debt Service - Bond Issuance Cost and Fees	-	-	-	700	-
Facilities Acquisition and Construction	-	158,246	571,756	-	218,312
Payments to Shared Service Arrangements	110,018	110,071	-	-	-
Other Intergovernmental Charges	184,637	203,760	209,622	245,777	256,457
Total Expenditures	**$ 27,247,285**	**$ 24,589,754**	**$ 28,156,146**	**$ 29,811,933**	**$ 29,634,391**
Excess (Deficiency) of Revenues over Expenditures	$ 829,135	$ 2,628,631	$ (67,412)	$ (2,027,492)	$ (1,460,012)
Other Resources and (Uses):					
Transfer Out	$ -	$ (1,041)	$ (62,655)	$ -	$ (16,141)
Proceeds from Leases & SBITAs	-	158,246	70,408	-	280,574
Total Other Resources (Uses)	**$ -**	**$ 157,205**	**$ 7,753**	**$ -**	**$ 264,433**
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	$ 829,135	$ 2,785,836	$ (59,659)	$ (2,027,492)	$ (1,195,579)
Ending Fund Balance [2]	**$ 11,991,264**	**$ 14,777,100**	**$ 14,717,441**	**$ 12,689,949**	**$ 11,494,370**

(1) See "MANAGEMENT'S DISCUSSION AND ANALYSIS - Economic Factors and Next Year's Budget and Rates" in Appendix D hereto for a discussion of the 2025/26 budget and "CURRENT PUBLIC SCHOOL FINANCE SYSTEM - Possible Effects of Wealth Transfer Provisions on the District's Financial Condition" in this Official Statement.
(2) The District's estimated, unaudited General Fund Balance as of August 31, 2026 is approximately $9,493,000.

CHANGE IN NET ASSETS [1]

	Fiscal Year Ended August 31				
	2021	2022	2023	2024	2025
Revenues:					
Program Revenues:					
Charges for Services	$ 214,537	$ 149,351	$ 268,069	$ 346,294	$ 396,117
Operating Grants and Contributions	8,997,922	12,635,795	8,135,402	8,824,563	7,844,344
General Revenues:					
Property Taxes Levied for General Purposes	5,936,393	6,224,490	6,281,662	5,318,505	4,961,820
Property Taxes Levied for Debt Service	1,714,960	1,714,979	1,909,234	1,994,740	1,891,641
Grants and Contributions Not Restricted	19,822,519	18,720,222	18,886,112	19,555,519	22,748,469
Investment Earnings	104,066	166,767	1,362,291	1,405,881	718,058
Miscellaneous	321,201	446,308	310,240	291,293	404,660
Transfers	-	-	-	-	15,000
	$ 37,111,598	$ 40,057,912	$ 37,153,010	$ 37,736,795	$ 38,980,109
Expenses:					
Instruction	$ 17,552,610	$ 19,140,678	$ 18,297,702	$ 20,031,122	$ 20,079,421
Instruction Resources & Media Services	269,970	274,041	211,761	204,784	223,238
Curriculum & Staff Development	621,765	475,853	468,497	559,592	438,551
Instructional Leadership	646,634	607,468	668,732	776,529	696,599
School Leadership	1,493,915	1,515,133	1,718,514	2,028,991	2,338,884
Guidance, Counseling & Evaluation Services	1,421,108	1,241,650	1,448,814	1,573,391	1,739,060
Health Services	250,855	268,743	278,639	287,139	292,387
Student Transportation	1,625,307	2,083,744	1,670,664	2,687,458	1,797,004
Food Service	1,555,361	1,583,166	1,496,076	3,344,800	1,844,065
Cocurricular/Extracurricular Activities	1,177,700	1,111,802	1,368,292	1,629,199	2,021,517
General Administration	1,268,940	1,194,431	1,525,624	1,418,315	1,761,218
Plant Maintenance & Operations	2,917,217	3,579,553	3,388,840	2,354,685	4,497,159
Security and Monitoring Services	327,742	284,699	411,974	785,774	527,612
Data Processing Services	473,067	662,209	559,490	543,781	604,504
Community Services	210,225	237,282	244,166	265,831	222,063
Debt Service - Interest on Long-term Debt	1,208,581	1,502,655	1,755,432	1,662,238	2,154,593
Debt Service - Bond Issuance Cost and Fees	-	-	-	700	-
Payments to Fiscal Agent/Member Districts of SSA	110,018	110,071	-	-	-
Other Intergovernmental Charges	184,637	203,760	209,622	245,777	256,457
Total Expenditures	$ 33,315,653	$ 36,076,939	$ 35,722,839	$ 40,400,106	$ 41,494,332
Change in Net Assets	$ 3,795,945	$ 3,980,973	$ 1,430,171	$ (2,663,311)	$ (2,514,223)
Beginning Net Assets	$ 15,511,672	$ 19,307,617	$ 23,288,590	$ 24,718,761	$ 22,055,450
Prior Period Adjustment	$ -	$ -	$ -	$ -	$ (641,641) [2]
Ending Net Assets	$ 19,307,617	$ 23,288,590	$ 24,718,761	$ 22,055,450	$ 18,899,586

(1) The foregoing information represents government-wide financial information provided in accordance with GASB 34, which the District adopted in the 2002 fiscal year.
(2) The prior period adjustment in 2025 is due to the District implementing GASB No. 101, "Compensated Absences."

APPENDIX B

GENERAL INFORMATION REGARDING THE DISTRICT AND ITS ECONOMY

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CENTER INDEPENDENT SCHOOL DISTRICT
General and Economic Information

Center Independent School District (the "District") is timber producing and agricultural area that includes the City of Center, located approximately 46 miles northeast of Lufkin on U.S. Highway 96. The City serves as the county seat of Shelby County. The District's current estimated population is 9,812.

Shelby County (the "County") is one of the original Texas counties created in 1836. Shelby shares the Toledo Bend Reservoir as a border with Louisiana and has over 67,000 acres in national forest.

Source: Center ISD and Shelby County Texas Municipal Reports

Enrollment Statistics

School Year	Enrollment
2015	2,804
2016	2,811
2017	2,749
2018	2,674
2019	2,623
2020	2,590
2021	2,470
2022	2,529
2023	2,471
2024	2,358
2025	2,240
Current	2,219

District Staff

Teachers	153
Auxiliary Personnel	46
Teachers' Aides & Secretaries	81
Administrators	28
Other (Librarians, Counselors, RNs)	42
Total	350

Facilities

Campus	Grades	Current Enrollment	Capacity	Year Built	Year of Addition/Renovation
F. L. Moffett Primary	PK-2	617	700	1989	NA
Center Elementary	3-5	458	700	2009	2009
Center Middle School	6-8	493	550	1964	2010
Center High School	9-12	597	800	2001	NA
Center Roughrider Academy	9-12	28	*		

**Academy is in the Middle School.*

Principal Employers within the District

Name of Company	Type of Business	Number of Employees
Tyson Foods	Poultry Production	1,600
Center ISD	Public School	350
Walmart Stores	Retail Store	250
Port O Cool	Manufacturer	150
Shelby County	County Government	130
City of Center	City Government	100
General Shelters	Manufacturer	85
Hallmark Center Fixtures	Manufacturer	50
Spartan	Manufacturer	50

Unemployment Rates

	August 2024	August 2025	August 2026
Shelby County	5.1%	5.5%	5.5%
State of Texas	4.5%	4.6%	4.6%

Source: Texas Workforce Commission

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APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

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McCALL PARKHURST & HORTON

Focused on Public Finance since 1919.

Proposed Form of Opinion of Bond Counsel

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

CENTER INDEPENDENT SCHOOL DISTRICT
MAINTENANCE TAX NOTES, SERIES 2026
IN THE AGGREGATE PRINCIPAL AMOUNT OF $3,985,000

AS BOND COUNSEL FOR THE ISSUER (the "Issuer") of the Notes described above (the "Notes"), we have examined into the legality and validity of the Notes, which bear interest from the dates specified in the text of the Notes, at the rates and payable on the dates as stated in the text of the Notes, maturing, unless redeemed prior to maturity in accordance with the terms of the Notes, serially, all in accordance with the terms and conditions stated in the text of the Notes.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, and a transcript of certified proceedings of the Issuer, and other pertinent instruments authorizing and relating to the issuance of the Notes, including one of the executed Notes (Note Number T-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that said Notes have been authorized, issued and duly delivered in accordance with law; and that except as may be limited by laws applicable to the Issuer relating to bankruptcy, reorganization and other similar matters affecting creditors' rights generally, by general principles of equity which permit the exercise of judicial discretion and by governmental immunity, the Notes constitute valid and legally binding obligations of the Issuer; and that a continuing ad valorem maintenance tax of the Issuer sufficient to provide for the payment of the interest on and principal of the Notes has been levied and pledged for such purpose, within the limits prescribed by law, as provided in the resolution authorizing the issuance of the Notes.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Notes is excludable from the gross income of the owners thereof for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of this opinion. We are further of the opinion that the Notes are not "specified private activity bonds" and that, accordingly, interest on the Notes will not be included as an individual or corporate alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on, and assume compliance by the Issuer with, certain covenants regarding the use and investment of the proceeds of the Notes. We call your attention to the fact that if such representations are determined to be inaccurate or upon failure by the Issuer to comply with such covenants, interest on the Notes may become includable in gross income retroactively to the date of issuance of the Notes.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Notes is included in a corporation's alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on corporations by section 55 of the Code.

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

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Notes, nor as to any such insurance policies issued in the future.

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

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

Respectfully,

APPENDIX D

AUDITED FINANCIAL REPORT
FISCAL YEAR ENDED AUGUST 31, 2025

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Center Independent School District

ANNUAL FINANCIAL REPORT

August 31, 2025

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Center Independent School District
Certificate of Board

Center Independent School District	Shelby	210-901
Name of School District	County	Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) _____ approved _____ disapproved for the year ended August 31, 2025, at a meeting of the Board of Trustees of such school district on the 11th day of February, 2026.

Signature of Board Secretary

Signature of Board President

If the Board of Trustees disapproved of the auditor's report, the reason(s) for disapproving it is (are): (attach list as necessary)

CARR, RIGGS & INGRAM, L.L.C.

Carr, Riggs & Ingram, L.L.C.
1307 South 1st Street
Lufkin, TX 75901

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Center Independent School District
Center, Texas

Report on the Audit of the Financial Statements

Opinions

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of August 31, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles general 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 opinion. 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 judgement 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 judgement 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining statements and schedule and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements and schedules and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and the schedule of required responses to selected school first indicators 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 11, 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.

CARR, RIGGS & INGRAM, L.L.C.

Lufkin, Texas
February 11, 2026

The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of Center Independent School District (the District) for the year ending August 31, 2025. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the District's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined net position was $18,899,586 at August 31, 2025.
- For the fiscal year ended August 31, 2025, the District's general fund reported a total fund balance of $11,494,370. The general fund consists of restricted fund balance of $968,289 for the Qualified School Construction Maintenance Tax Note, Taxable Series 2011, and committed fund balance of $2,981,129 for construction and retirement of loans and notes payable. The remaining general fund balance of $7,544,952 is unassigned.
- At the end of the fiscal year, the District's governmental funds (the general fund plus all state and federal grant funds and the debt service fund, and the capital projects funds) reported a combined ending fund balance of $13,283,938.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a trustee or custodian for the benefit of others, to whom the fiduciary resources belong. These statements include a private-purpose trust fund and a custodial fund.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The notes to the financial statements are followed by a section entitled *Required Supplementary Information* that further explains and supports the information in the financial statements.

Government-wide Financial Statements

The government-wide statements report information about the District as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the District as an economic entity. The statement of net position and the statement of activities, which appear first in the district's financial statements, report information on the District's activities that enable the reader to understand the financial condition of the District. These statements are prepared using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Position presents information on all of the District's assets, liabilities and deferred outflows/inflows 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 improving or deteriorating. Other nonfinancial factors, such as changes in the District's tax base, staffing patterns, enrollment, and attendance, need to be considered in order to assess the overall health of the District.

The Statement of Activities presents information showing how the District's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows – the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities include the following class of activities:

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

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

Fund Financial Statements

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

- Some funds are required by State law and other funds are mandated by bond agreements or bond covenants.

- The Board of Trustees (the "Board") establishes other funds to control and manage money set aside for particular purposes or to show that the District is properly using certain taxes and grants.

- Other funds are used to account for assets held by the District in a custodial capacity. These assets do not belong to the District, but the District is responsible to properly account for them.

The District has the following kinds of funds:

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

Fiduciary Funds - The District serves as the trustee, or *fiduciary*, for certain funds such as student activity funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its governmental operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's combined net position was $18,899,586 at August 31. *Table 1* focuses on net position while *Table 2* shows the revenues and expenses that changed the net position balance during the fiscal year ended August 31, 2025.

Table 1 indicates the District's net position decreased $2,514,223 in total from the prior year, before the prior period adjustment. The details of this decrease can be seen in *Table 2*. Total assets decreased by $4,676,620 which was primarily due to the net result of an increase in expenses and increase in operating grants and contributions. The net increase in total liabilities of $256,777 is the net result of GASB 101 implementation. The deferred outflows increased by $1,840,525 and deferred inflows increased by $62,992 due primarily to the changes in the difference between projects and actual investment earnings for OPEB. Within *Table 2* the District reported a net increase in total revenues by $1,228,314 primarily due to an increase in state aid formula. Total expenses experienced a net increase of $550,630 mainly due to increases in expenses for plant maintenance and food service related to payroll costs from a wage increase and depreciation expenses related to additions to depreciable capital assets.

Table A-1
Net Position

	2025	2024	Variance
Current and other assets	$ 16,019,971	$ 20,150,236	$ (4,130,265)
Capital and non-current assets	65,897,445	66,443,800	(546,355)
TOTAL ASSETS	81,917,416	86,594,036	(4,676,620)
Deferred outflows	8,091,449	6,250,924	1,840,525
Current liabilities	6,423,214	3,219,223	3,203,991
Long term liabilities	55,709,203	58,656,417	(2,947,214)
TOTAL LIABILITIES	62,132,417	61,875,640	256,777
Deferred inflows	8,976,862	8,913,870	62,992
Net Position:			
Net investment in capital assets	23,793,311	24,507,695	(714,384)
Restricted	1,789,568	3,303,300	(1,513,732)
Unrestricted	(6,683,293)	(5,755,545)	(927,748)
TOTAL NET POSITION	$ 18,899,586	$ 22,055,450	$ (3,155,864)

Table A-2
Changes in Net Position

	YEAR ENDED		
	2025	2024	Variance
Revenues:			
Program Revenues:			
Charges for services	$ 396,117	$ 346,294	$ 49,823
Operating grants and contributions	7,844,344	8,824,563	(980,219)
General Revenues:			
Property taxes	6,853,461	7,313,245	(459,784)
State aid - Formula	22,748,469	19,555,519	3,192,950
Investment earnings	718,058	1,405,881	(687,823)
Other	404,660	291,293	113,367
TOTAL REVENUES	38,965,109	37,736,795	1,228,314
Expenses:			
Instructional and instructional resources	20,302,659	20,235,906	66,753
Curriculum, staff development, school and instructional leadership	3,474,034	3,365,112	108,922
Guidance, social work, health, transportation	3,828,451	4,835,127	(1,006,676)
Food service	1,844,065	3,344,800	(1,500,735)
Extracurricular activities	2,021,517	1,629,199	392,318
General administration	1,761,218	1,418,315	342,903
Plant maintenance and operations, security and data processing	5,629,275	3,684,240	1,945,035
Community services	222,063	265,831	(43,768)
Debt service	2,154,593	1,662,938	491,655
Payments to other governments	-	245,777	(245,777)
TOTAL EXPENSES	41,237,875	40,687,245	550,630
INCREASE (DECREASE) IN NET POSITION	$ (2,272,766)	$ (2,950,450)	$ 677,684

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At the close of the fiscal year ending August 31, 2025, the District's governmental funds reported a combined fund balance of $13,283,938 which was a $3,122,094 decrease from a combined fund balance of $16,406,032 at August 31, 2024. The fund balance in the general fund of $11,494,370 was a decrease of $1,195,579 from fund balance in the prior year. This decrease can be attributed to a decrease in property tax revenues from a decrease in property tax rates and an increase in expenditures for instruction related an increase in salaries, and plant maintenance.

The restricted fund balance for the debt service fund of $720,357 increased by $119,094, primarily due to the excess of debt service payments over property tax revenue and state contributions received. There was a decrease in revenues primarily due to a decrease in existing debt allotments received from the state. Debt service fund expenditures increase as a result of an increase in principal and interest payments on outstanding debt.

The fund balance for the capital projects fund decreased by $1,966,001 due to construction costs related to covered practice facility and the event center projects. The ending fund balance in the capital projects fund of $33,371 is primarily restricted for capital projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

In accordance with State law and generally accepted accounting principles, the district prepares an annual budget for the general fund, the food service special revenue fund and the debt service fund. The District budgets the capital projects fund for each *project*, which normally covers multiple years. Special revenue funds have budgets approved by the funding agency and are amended throughout the year as required.

During the period ended August 31, 2025, the District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenditures. The general fund's budgeted revenues were less than actual by $270,949 primarily due to less state program revenue partially offset by more local and intermediate revenues than anticipated. Total general fund budgeted expenditures exceeded actual expenditures by $1,099,169.

CAPITAL ASSETS

Capital assets are generally defined as those items that have useful lives of greater than a year and have an initial cost or value (if donated) of an amount determined by the Board. During the fiscal year ended August 31, 2025, the District used a capitalization threshold of $5,000, which means that all capital type assets, including library books, with a cost or initial value of less than $5,000 were not included in the capital assets inventory.

At August 31, 2025, the District had a total of $65,897,445 invested in capital assets (net of depreciation) such as land, construction in progress, buildings, and District equipment. This total includes $2,521,440 invested during the fiscal year ended August 31, 2025 with the major capital assets purchased being:

- Construction in progress of the event center $1,849,415.
- Purchase of land $127,621.
- Cafeteria - coolers, warmers, tilt skillets, serving lines $196,862.

More detailed information about the District's capital assets can be found in the notes to the financial statements.

LONG-TERM DEBT

At year end, the District had $40,663,665 in general obligation bonds, maintenance tax notes, subscriptions and leases payable outstanding versus $41,216,356 last year.

More detailed information about the District's long-term liabilities can be found in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The proposed budget for fiscal year 2025-2026 is $31,048,674 which is about a 9.1 percent increase from fiscal year 2024-2025. Total budgeted revenues are $27,559,394 with State revenues budgeted for $21,838,677 which is 79 percent of our total revenue. Local revenues are budgeted to be $5,420,717 which is 19 percent of total revenues. The remaining 2 percent is made up of other revenues.

The District's local taxable value is $688,110,158, which is an increase of $16,803,510 from last year's value of $671,306,648.

The fiscal year 2025-2026 budget is based upon the tax rate of $1.045. The rate consists of the maintenance and operation (M&O) rate of $0.7575 and the interest and sinking (I&S) rate of $0.2875, no change from the prior year.

Payroll is 91.3 percent of the total budget which leaves 8.7 percent for the remaining activities and operations of the District. The 2025-2026 budget accounts for our current projected revenue. Included in the budget is increased payroll projections.

The focus for fiscal year 2025-2026 is to invest in the areas that are identified in our District goals.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Center Independent School District, 107 Private Road 605, Center, Texas 75935.

Center Independent School District
Statement of Net Position
Exhibit A-1

DATA CONTROL CODES		1 GOVERNMENTAL ACTIVITIES
	ASSETS	
1110	Cash and cash equivalents	$ 13,032,309
1225	Property taxes receivable	619,941
1240	Due from other governments	2,367,721
	Capital Assets:	
1510	Land	1,594,416
1520	Buildings and improvements, net	61,648,648
1530	Furniture and equipment, net	1,689,300
1540	Leased assets, net	111,539
1550	Right of use asset, net	853,542
1000	TOTAL ASSETS	81,917,416
	DEFERRED OUTFLOWS	
	Deferred pension inflows	4,687,125
	Deferred OPEB inflows	3,404,324
1700	TOTAL DEFERRED OUTFLOWS	8,091,449
	TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 90,008,865
	LIABILITIES	
2110	Accounts payable	$ 24,893
2140	Interest payable	79,573
2165	Accrued liabilities	2,170,166
2501	Due within one year	4,148,582
	Noncurrent Liabilities:	
2502	Due in more than one year	37,338,389
2516	Premium on bond issue	2,408,768
2540	Net pension liablity	9,034,655
2545	Net OPEB liability	6,927,391
2000	TOTAL LIABILITIES	62,132,417
	DEFERRED INFLOWS	
	Deferred pension inflows	2,523,808
	Deferred OPEB inflows	6,453,054
2600	TOTAL DEFERRED INFLOWS	8,976,862
	NET POSITION	
3200	Net Investment in capital assets	23,793,311
3850	Restricted for Debt Service	720,357
3860	Restricted for Capital projects	33,371
3820	Restricted for state and federal grants	1,035,840
3900	Unassigned	(6,683,293)
3000	TOTAL NET POSITION	18,899,586
	TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	$ 90,008,865

The accompanying notes are an integral part of this statement.

Center Independent School District
Statement of Activities
Exhibit B-1

DATA CONTROL CODES	FUNCTIONS/PROGRAMS	EXPENSES	3 PROGRAM REVENUES CHARGES FOR SERVICES	4 PROGRAM REVENUES OPERATING GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS GOVERNMENTAL ACTIVITIES
	Governmental Activities:				
11	Instruction	$ 20,079,421	$ 164,145	$ 3,976,640	$ (15,938,636)
12	Instruction resources and media services	223,238	-	76	(223,162)
13	Curriculum and staff development	438,551	-	264,620	(173,931)
21	Instructional leadership	696,599	-	541,605	(154,994)
23	School leadership	2,338,884	-	274,030	(2,064,854)
31	Guidance, counseling, and evaluation services	1,739,060	-	425,698	(1,313,362)
33	Health services	292,387	-	1,621,344	1,328,957
34	Student transportation	1,797,004	-	151,549	(1,645,455)
35	Food services	1,844,065	168,988	252,852	(1,422,225)
36	Cocurricular/extracurricular activities	2,021,517	62,984	148,133	(1,810,400)
41	General administration	1,761,218	-	-	(1,761,218)
51	Plant maintenance and operations	4,497,159	-	187,797	(4,309,362)
52	Security and monitoring	527,612	-	-	(527,612)
53	Data processing	604,504	-	-	(604,504)
61	Community Services	222,063	-	-	(222,063)
71	Debt Service	2,154,593	-	-	(2,154,593)
99	Other Governmental Charges	256,457	-	-	(256,457)
TG	TOTAL GOVERNMENTAL ACTIVITIES	41,494,332	396,117	7,844,344	(33,253,871)
TP	TOTAL PRIMARY GOVERNMENT	$ 41,494,332	$ 396,117	$ 7,844,344	$ (33,253,871)

	General Revenues:	
MT	Property taxes, levied for general purposes	$ 4,961,820
DT	Property taxes, levied for debt service	1,891,641
IE	Investment earnings	718,058
GC	Grants and contributions not restricted to specific programs	22,748,469
MI	Miscellaneous	404,660
FR	Transfers	15,000
TR	TOTAL GENERAL REVENUES	30,739,648
CN	CHANGE IN NET ASSETS	(2,514,223)
NB	Net assets - Beginning	22,055,450
PA	Prior Period Adjustment	(641,641)
NB	Net assets - Beginning, restated	21,413,809
NE	NET ASSETS - ENDING	$ 18,899,586

The accompanying notes are an integral part of this statement.

Center Independent School District
Balance Sheet - Governmental Funds
Exhibit C-1

DATA CONTROL CODES		10 GENERAL FUND	50 DEBT SERVICE FUND	60 CAPITAL PROJECT FUND	onmf OTHER GOVERN-MENTAL FUNDS	98 TOTAL GOVERN-MENTAL FUNDS
	ASSETS					
1110	Cash and cash equivalents	$ 11,423,940	$ 844,662	$ 10	$ 763,697	$ 13,032,309
1225	Taxes receivable, net	466,996	152,945	-	-	619,941
1240	Due from other governments	2,017,331	-	-	350,390	2,367,721
1260	Due from other funds	40,300	-	33,361	213,926	287,587
1000	TOTAL ASSETS	$ 13,948,567	$ 997,607	$ 33,371	$ 1,328,013	$ 16,307,558
	LIABILITIES					
2110	Accounts payable	$ 24,893	$ -	$ -	$ -	$ 24,893
2150	Other Accrued expense	467,623	-	-	-	467,623
2160	Accrued wages payable	1,520,961	-	-	125,881	1,646,842
2170	Due to other funds	-	124,305	-	163,282	287,587
2000	TOTAL LIABILITIES	2,013,477	124,305	-	289,163	2,426,945
	DEFERRED INFLOW					
2600	Unearned revenue	440,720	152,945	-	3,010	596,675
	TOTAL DEFERRED INFLOW	440,720	152,945	-	3,010	596,675
	FUND BALANCES					
	Restricted Fund Balances:					
3470	Construction	-	-	33,371	-	33,371
3480	Debt service	968,289	720,357	-	-	1,688,646
3490	Other restricted fund balance	-		-	1,035,840	1,035,840
	Committed Fund Balance:					
3510	Construction	1,850,000	-	-	-	1,850,000
3525	Long term debt	1,131,129				1,131,129
3600	Unassigned	7,544,952	-	-	-	7,544,952
3000	TOTAL FUND BALANCE	11,494,370	720,357	33,371	1,035,840	13,283,938
4000	TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	$ 13,948,567	$ 997,607	$ 33,371	$ 1,328,013	$ 16,307,558

The accompanying notes are an integral part of this statement.

Center Independent School District
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
Exhibit C-1R

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS BALANCE SHEET	$ 13,283,938
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:	
Capital assets net of depreciation used in governmental activities are not reported in the funds.	65,897,445
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds	596,675
Payables for debt which are not due in the current period are not reported in the funds.	(43,895,739)
Payables for interest which are not due in the current period are not reported in the funds.	(79,573)
Accrued expenses for worker's compensation claims	(55,701)
The liability for net pension is recognized in the governmental activities not in the funds.	(9,034,655)
The liability for net OPEB is recognized in the governmental activities not in the funds.	(6,927,391)
Deferred pension and OPEB inflows and outflows are deferred in the governmental activities not in the funds.	(885,413)
NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF OF NET POSITION	$ 18,899,586

The accompanying notes are an integral part of this statement.

Center Independent School District
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
Exhibit C-2

Data Control Codes		10 GENERAL FUND	50 DEBT SERVICE FUND	60 CAPITAL PROJECT FUND	onmf OTHER GOVERN-MENTAL FUNDS	98 TOTAL GOVERN-MENTAL FUNDS
	REVENUES:					
5700	Local and Intermediate Sources	$ 5,907,662	$ 1,950,031	$ 30,881	$ 555,660	$ 8,444,234
5800	State Program Revenues	21,846,118	481,752	-	250,273	22,578,143
5900	Federal Program Revenues	420,599	-	-	3,575,541	3,996,140
5020	Total Revenues	28,174,379	2,431,783	30,881	4,381,474	35,018,517
	EXPENDITURES:					
0011	Instruction	15,425,902	-	-	1,281,215	16,707,117
0012	Instructional Resources and Media Services	196,777	-	-	76	196,853
0013	Curriculum and Staff Development	111,743	-	-	266,869	378,612
0021	Instructional Leadership	435,095	-	-	189,317	624,412
0023	School Leadership	1,911,362	-	-	441	1,911,803
0031	Guidance, Counseling, & Evaluation Services	1,086,198	-	-	301,891	1,388,089
0033	Health Services	272,439	-	-	-	272,439
0034	Student Transportation	1,503,263	-	-	500	1,503,763
0035	Food Services	-	-	-	1,944,602	1,944,602
0036	Cocurricular/Extracurricular Activities	1,378,858	-	-	350,192	1,729,050
0041	General Administration	1,559,935	-	-	-	1,559,935
0051	Plant Maintenance and Operations	3,525,452	-	-	-	3,525,452
0052	Security and monitoring services	344,095	-	-	148,292	492,387
0053	Data processing	532,160	-	-	-	532,160
0061	Community Services	208,743	-	-	-	208,743
0071	Debt service	667,600	2,312,689	-	1,855	2,982,144
0081	Capital Outlay	218,312	-	2,003,855	-	2,222,167
0099	Other Governmental Charges	256,457	-	-	-	256,457
6030	Total Expenditures	29,634,391	2,312,689	2,003,855	4,485,250	38,436,185
1100	Excess Revenue over Expenditures	(1,460,012)	119,094	(1,972,974)	(103,776)	(3,417,668)
	Other Financing Sources					
7913	Proceeds from right to use leases and SBITAs	280,574	-	-	-	280,574
7915	Transfer In	-	-	6,973	24,168	31,141
8911	Transfer Out	(16,141)	-	-	-	(16,141)
7080	Total Other Financing Sources	264,433	-	6,973	24,168	295,574
1200	Net Change in Fund Balances	(1,195,579)	119,094	(1,966,001)	(79,608)	(3,122,094)
0100	Fund Balances - Beginning	12,689,949	601,263	1,999,372	1,115,448	16,406,032
3000	Fund Balances - Ending	$ 11,494,370	$ 720,357	$ 33,371	$ 1,035,840	$ 13,283,938

The accompanying notes are an integral part of this statement.

Center Independent School District
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Exhibit C-3

Net change in fund balances - Total governmental funds	$ (3,122,094)
Amounts Reported for Governmental Activities in the Statement of Activities ("SOA")are Different Because:	
The depreciation of capital assets used in governmental activities is not reported in the funds.	(3,089,324)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(71,938)
Repayment of debt costs and interest is an expenditure in the funds but is not an expense in the SOA.	1,020,474
Proceeds for SBITA and leases is not a revenue in the SOA	(280,574)
Current year change in worker's compenstation plan	19,256
Current year capital outlays, and gain or loss, is an expenditure or revenue in the funds but is not in the SOA.	2,521,440
Governmental funds report district pension contributions as expenditures in the government wide statements, the cost of pension benefits earned net of employee contributions is reported as pension expense.	(462,076)
Governmental funds report district OPEB contributions as expenditures in the government wide statements, the cost of OPEB benefits earned net of employee contributions is reported as OPEB expense.	950,613
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF ACTIVIITES	$ (2,514,223)

The accompanying notes are an integral part of this statement.

Center Independent School District
Statement of Fiduciary Net Position
Fiduciary Funds
Exhibit E-1

	SCHOLARSHIP FUND	STUDENT ACTIVITIES FUND
ASSETS		
Cash and cash equivalents	$ 32,201	$ 249,450
TOTAL ASSETS	$ 32,201	$ 249,450
NET POSITION		
Restricted for others	$ 32,201	$ 249,450
NET POSITION	$ 32,201	$ 249,450

The accompanying notes are an integral part of this statement.

Center Independent School District
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Exhibit E-2

	SCHOLARSHIP FUND	STUDENT ACTIVITIES FUND
Additions:		
Contributions	$ 7,229	69,027
TOTAL ADDITIONS	7,229	69,027
Deductions:		
Payments to others		49,925
TOTAL DEDUCTIONS	-	49,925
EXCESS ADDITIONS OVER DEDUCTIONS	7,229	19,102
Other uses and resources		
Transfer to activity funds	(15,000)	-
TOTLE OTHER USES AND RESOURCES	(15,000)	-
NET CHANGE IN NET POSITION	(7,771)	
Net position - Beginning	60,472	230,348
Prior period adjustment	(20,500)	-
Net position - Beginning restated	39,972	230,348
NET POSITION - ENDING	$ 32,201	$ 249,450

The accompanying notes are an integral part of this statement.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

The District is an independent political subdivision of the State governed by a board elected by the public, and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations, and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the District's financial reporting entity. No other entities have been included in the district's reporting entity. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

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 nonfiduciary activities of the primary government. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately.

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 and internal service funds. Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

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, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District reports the following governmental funds:

General Fund

The general fund is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The general fund is always considered a major fund for reporting purposes.

Debt Service Fund

The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest on all long-term debt of the District. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a nonmajor fund, however the District has elected to present it as a major fund for reporting purposes due to its significance.

Capital Projects Fund

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

Special Revenue Fund

The special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes other than debt service or capital projects. The restricted proceeds of specific revenue sources comprise a substantial portion of the inflows of these special revenue funds. Most federal and some state financial assistance is accounted for in a special revenue fund.

Fiduciary Fund

The fiduciary fund accounts for assets held by the District in a trustee capacity or as a custodian on behalf of others. The fiduciary fund is not reflected in the government-wide financial statements because the resources of that fund are not available to support the District's own programs.

The District has the following type of fiduciary fund:

Custodial Fund

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

Private-Purpose Trust Fund

The private-purpose trust fund is used to report resources held in trust. The trust fund is accounted for using the accrual basis of accounting. This fund is used to account for the District's scholarship trust fund.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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

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

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. 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 the revenue source (within 60 days of year end). All other revenue items are considered measurable and available only when cash is received by the District.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments, except for certain investment pools, commercial paper, money market funds, and investment contracts, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost. Money market funds, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations and commercial paper that have a remaining maturity of one year or less upon acquisition, are reported at amortized cost. Investments in nonparticipating interest earning contracts, such as certificates of deposit, are reported at cost.

The District has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Governmental Code. In summary, the District is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Statewide investment pools and commercial paper

Capital Assets

Capital assets, which include land, buildings, furniture, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life greater than a year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed (except for intangible right-to-use lease assets, the measurement of which is discussed in leases). Donated capital assets are recorded at acquisition value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The costs of normal maintenance and repairs that do not add to the service capacity of the District or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

ASSET DESCRIPTION	ESTIMATED USEFUL LIVES
Buildings and improvements	20-40
Vehicles	5-15
Furniture, fixtures and equipment	5-15

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows*. This separate financial statement element, *deferred inflows*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Deferred outflows/inflows are amortized as follows:

- Deferred outflow/inflows from pension/other postemployment benefits (OPEB) activities are amortized over the average of the expected service lives of pension/OPEB plan members, except for the net differences between the projected and actual investment earnings on the pension/OPEB plan assets, which are amortized over a period of five years.

- For employer pension/OPEB plan contributions that were made subsequent to the measurement date through the end of the District's fiscal year, the amount is deferred and recognized as a reduction to the net pension/OPEB liability during the measurement period in which the contributions were made.

At the fund level, the District has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Receivable and Payables Balances

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

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

Interfund Activity

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount.

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

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with the interest earned in the debt service fund.

Leases

The District is a lessee for noncancellable leases of equipment. The District recognizes a lease liability and an intangible, right-to-use lease asset (the "lease asset") in the government-wide financial statements.

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

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

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancellable period of the lease.

- Lease payments included in the measurement of the lease liability are composed of fixed payments and the purchase option price that the District is reasonably certain to exercise.

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

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the Statement of Net Position.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Vacation is to be taken within the same year it is earned, and any unused days at the end of the year are forfeited. Therefore, no liability has been accrued in the financial statements. Employees of the district are entitled to sick leave. Any employee having accumulated 50 days of State sick leave upon retirement who has worked for the District for at least five years, is to be paid the amount of the benefit based on the employee's annual salary and supplements for the period prior to retirement. Sick leave is accrued when incurred in the governmental-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of the employe resignations and retirements.

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.

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.

Fund Balance Policies

Fund balances of governmental funds are 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).

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions are classified as restricted 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 District's Board is the highest level of decision-making authority for the District that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING 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 District's 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 only 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 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.

Estimates

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

Data Control Codes

The data control codes refer to the account code structure prescribed by TEA in the Resource Guide. The TEA requires school districts to display these codes in the financial statements filed with the TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

Pensions

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

Other Postemployment Benefits

The fiduciary net position of the TRS Texas Public School Retired Employees Group Insurance Program ("TRS-Care") 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 OPEB, 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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues and Expenditures/Expenses

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 (including special assessments) 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.

Property Taxes

All taxes due to the District on real or personal property are payable at the Office of the Tax Assessor-Collector and may be paid at any time after the tax rolls for the year have been completed and approved, which is no later than October 1. Taxes are due by January 31, and all taxes not paid prior to this date are deemed delinquent and are subject to such penalty and interest.

Property taxes attach as an enforceable lien on property as of January 1 each year. Taxes are levied on October 1 and are payable prior to the next February 1. District property tax revenues are recognized when collected.

Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with GAAP. The original budget is adopted by the District prior to the beginning of the year. The legal level of control is the function code stated I the approve budget. Appropriations lapse at the end of the year. Supplemental budget appropriations were made for the year.

In accordance with State law and generally accepted accounting principles, the District prepares an annual budget for the general fund, the national school breakfast and lunch program special revenue fund, and the debt service fund. The District budgets the capital projects fund for each project, which normally covers multiple years. Special revenue funds have budgets approved by the funding agency and are amended throughout the year as required.

During the year, the District amended its budget as required by state law and to reflect current levels of revenue and anticipated expenditures. These amendments caused material changes in budgeted amounts.

Note 3: DETAILED NOTES ON ALL FUNDS

Deposits and Investments

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Cash Deposits

At August 31, 2025, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was $13,313,960 and the bank balance was $15,234,035. The District's cash deposits at August 31, 2025, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

Investments

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

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

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

The District had investments with Lone Star Investment Pool of $7,231,500 with $6,458,533 report within cash and cash equivalents and $772,967 reported as restricted assets. The restricted assets are held for the purpose of funding future principal payment on debt. The financial institution that holds the deposits is the paying agent/registrar of the future principal payments on debt. Information regrading the contractual agreements related to the deposits held for future principal payment on debt is described in the long-term debt disclosures.

As of August 31, 2025, the District had the following investments:

NAME	CARRYING AMOUNT	DAYS WEIGHTED MATURITY
Lone Star Investment Pool	$ 7,231,500	26 days
	$ 7,231,500	

Interest Rate Risk: In accordance with its investment policy, the District manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations and invest operating funds primarily in short-term securities.

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Credit Risk: The District's policy requires that investment pools must be rated no lower than 'AAA' or 'AAA-m'. Bankers' acceptances must be issued in the United States and carry a rating of 'A1'/'P1' as provided by two of the top nationally recognized rating agencies. As of August 31, 2025, the District's investments in the investment pool were rated 'AAA' by Standard & Poor's.

Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that the District's deposits may not be returned in the event of a bank failure. The District's investment policy requires funds on deposit at the depository bank to be collateralized by securities. As of August 31, 2025, demand deposit accounts were entirely insured or collateralized with securities as provided by State laws and regulations and FDIC insurance.

Custodial Credit Risk – Investments: For an investment, this is the risk that 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 in the event of the failure of the counterparty. The District's investment policy requires that it will seek to safekeep securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, shall be conducted on a delivery versus payment basis or commercial book entry system as utilized by the Federal Reserve and shall be protected through the use of a third-party custody/safekeeping agent.

Lone Star – The Lone Star Investment Pool ("Lone Star") is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas government Code. Lone Star is administered by First Public, a subsidiary of the Texas Association of School Boards, with Standish and American Beacon Advisors managing the investment and reinvestment of Lone Star's assets. State Street Bank provides custody and valuation services to Lone Star. All of the Board of Trustees' eleven members are Lone Star participants by either being employees or elected officials of a participant. Lone Star is rated 'AAA' by Standard and Poor's and operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company act of 1940. The District is invested in the Government Overnight Fund of Lone Star which seeks to maintain a net asset value of $1.00. Lone Star has 3 different funds: Government Overnight, Corporate Overnight, and Corporate Overnight Plus. Government Overnight, Corporate Overnight, and Corporate Overnight Plus maintain a net asset value of $1.00.

Capital Assets

A summary of changes in capital assets for governmental activities at year end is as follows:

	BEGINNING BALANCE	ADDITIONS	TRANSFERS	RETIREMENTS	ENDING BALANCE
Governmental Activities:					
Non-Depreciable Assets:					
Land and improvements	$ 1,466,795	$ 127,621	$ -	$ -	$ 1,594,416
Construction in progress	12,948,076	1,849,415	(14,797,491)	-	-
TOTAL NON-DEPRECIABLE ASSETS	14,414,871	1,977,036	(14,797,491)	-	1,594,416
Depreciable Assets:					
Buildings and improvements	77,236,980	43,052	14,797,491	-	92,077,523
Furniture and equipment	7,293,720	196,862	-	-	7,490,582
Capital Leased Assets	1,504,342	163,447	-	-	1,667,789
Right of Use Assets	157,588	141,043	-	-	298,631
TOTAL DEPRECIABLE ASSETS	86,192,630	544,404	14,797,491	-	101,534,525
Less Accumulated Depreciation:					
Buildings and improvements	(28,142,483)	(2,286,392)	-	-	(30,428,875)
Furniture and equipment	(5,246,555)	(554,727)	-	-	(5,801,282)
Capital Leased Assets	(665,585)	(148,662)	-	-	(814,247)
Right of Use Assets	(87,549)	(99,543)	-	-	(187,092)
TOTAL ACCUMULATED DEPRECIATION	(34,142,172)	(3,089,324)	-	-	(37,231,496)
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	$ 66,465,329	$ (567,884)	$ -	$ -	$ 65,897,445

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Depreciation was charged to governmental functions as follows:

DATA CONTROL CODES	FUNCTIONS/PROGRAMS	EXPENSES
	Governmental Activities:	
11	Instruction	$ 1,237,801
12	Instructional resources and media services	26,385
13	Curriculum and staff development	59,939
21	Instructional leadership	51,546
23	School leadership	117,621
31	Guidance, counseling, and evaluation services	110,255
33	Health services	19,948
34	Student (pupil) transportation	152,269
35	Food services	115,326
36	Cocurricular/Extracurricular Activities	159,342
41	General administration	76,817
51	Plant maintenance and operations	876,865
52	Security and monitoring	35,225
53	Data processing	36,665
61	Community Services	13,320
	TOTAL DEPRECIATION EXPENSE	$ 3,089,324

Long-Term Debt

The following is a summary of changes in the District's total governmental long-term liabilities for the year. In general, the District uses the debt service funds to liquidate governmental long-term liabilities.

DESCRIPTION	INTEREST RATE PAYABLE	ORIGINAL ISSUE AMOUNT	AMOUNTS OUT-STANDING 8/31/2024	ISSUED	PRIOR PERIOD ADJUSTMENT	RETIRED	AMOUNTS OUT-STANDING 8/31/2025	CURRENT AMOUNT DUE
Unlimited Tax Building Bond Series 2018	4.00%	$ 18,270,000	$ 17,500,000	$ -		$ (415,000)	$ 17,085,000	$ 440,000
Unlimited Tax Building Serial Bonds, Series 2019	2.00%	$ 9,420,000	6,735,000	-		(260,000)	6,475,000	270,000
Term Bonds, Series 2019			2,200,000			-	2,200,000	-
Unlimited Tax Building Serial Bonds, Series 2022	4.00%	$ 9,325,000	4,200,000	-		(20,000)	4,180,000	20,000
Term Bonds, Series 2022			5,090,000			-	5,090,000	-
Unlimited Tax Building Serial Bonds, Series 2023	4.00%	$ 2,450,000	610,000	-		(55,000)	555,000	60,000
Term Bonds, Series 2023			1,815,000			-	1,815,000	-
Direct Borrowing/Placement 2011 Maintenance Tax Note	5.40 to 6.35%	$ 5,300,000	2,345,000	-		-	2,345,000	2,345,000
Right of use assets	2.70 to 8.83%	$ 1,234,124	721,356	144,912	37,347	(95,276)	808,339	125,147
Subscriptions payable	3.85 to 4.02%	$ 293,251	-	135,662	72,311	(97,647)	110,326	65,129
Local leave			247,890	21,904	553,512	-	823,306	823,306
			$ 41,464,246	$ 302,478	$ 663,170	$ (942,923)	$ 41,486,971	$ 4,148,582

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Long-term liabilities applicable to the District's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. The governmental activities' compensated absences, lease payable, net pension liability, and net OPEB liability are generally liquidated by the general fund.

QSCB Bonds Payable

The Qualified School Construction Bonds, Series 2011 Maintenance Tax Note (the "Note") require the District to make mandatory deposits into a cumulative sinking fund deposit account held by the paying agent/registrar for the Note on February 15th in each of the years starting from 2022 and ending 2026. Any interest earned from the investment of prior deposits shall be applied as a credit against a subsequent year's mandatory sinking fund amount. Such deposits and any interest earned shall be used to pay the principal of the Note upon maturity and are pledged to pay the debt service requirements on the Notes. During the fiscal year, the District's contribution to the cumulative sinking fund deposit account was $477,000. As of August 31, 2025, the cumulative sinking fund deposit balance was $2,049,548 and is restricted in the general fund to be used to pay the Notes when due in 2026.

The annual requirements to the separate sinking fund and to amortize debt issues outstanding for maintenance tax note at year end were as follows:

YEAR ENDING	MAINTENANCE TAX NOTE OBLIGATION - DIRECT BORROWING			
AUGUST 31,	SINKING FUND	INTEREST	TOTAL REQUIREMENTS	PRINCIPAL
2026	$ 477,000	$ 74,454	$ 551,454	$ 2,345,000
TOTAL	$ 477,000	$ 74,454	$ 551,454	$ 2,345,000

Bonds Payable

Bonded indebtedness of the District reflected in the general long-term debt and current requirements for principal and interest expenditures are accounted for in the debt service fund. These bonds were issued as unlimited tax refunding or school building serial/term bonds.

YEAR ENDING	BONDS		
AUGUST 31,	PRINCIPAL	INTEREST	PAYMENT
2026	$ 790,000	$ 1,521,989	$ 2,311,989
2027	830,000	1,481,289	2,311,289
2028	870,000	1,438,564	2,308,564
2029	910,000	1,401,064	2,311,064
2030	940,000	1,369,239	2,309,239
2031-2035	5,230,000	6,321,879	11,551,879
2036-2040	6,270,000	5,284,484	11,554,484
2041-2045	7,690,000	3,855,038	11,545,038
2046-2050	9,485,000	2,003,078	11,488,078
2051-2052	4,385,000	177,100	4,562,100
TOTAL	$ 37,400,000	$ 24,853,724	$ 62,253,724

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Leases

During the current fiscal year, the District was a lessee to various lease agreements for the acquisition and use of copiers, and a lessee to one lease agreement for the use of a building.

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

YEAR ENDING	RIGHT OF USE ASSETS		
AUGUST 31,	PRINCIPAL	INTEREST	PAYMENT
2026	$ 125,147	$ 26,631	$ 151,778
2027	118,487	19,836	138,323
2028	71,099	14,954	86,053
2029	60,190	13,139	73,329
2030	63,510	11,480	74,990
2031-2035	343,035	29,494	372,529
2036-2040	26,871	151	27,022
TOTAL	$ 808,339	$ 115,685	$ 924,024

Interfund Transactions

The following is a summary of the District's interfund transactions for the year:

Due To Fund	Due From Fund	Amount	Purpose
General fund	Other governmental funds	$ 287,587	Short term loan
	TOTAL	$ 287,587	

Amounts recorded as due to/from are considered to be temporary loans and will be repaid during the following year.

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

Transfers From	Transfers To	Amount	Reason
General fund	Other governmental funds	$ 16,141	Supplemental funds
Other governmental funds	Fiduciary funds	15,000	Transfer from activity to fiduciary
	TOTAL	$ 31,141	

Subscriptions Payable

Subscriptions payable requirements on leases at August 31, 2025, are as follows:

YEAR ENDING	SUBSCRIPTIONS PAYABLE		
AUGUST 31,	PRINCIPAL	INTEREST	PAYMENT
2026	$ 65,129	$ 3,773	$ 68,902
2027	45,197	1,817	47,014
TOTAL	$ 110,326	$ 5,590	$ 115,916

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Prior period adjustment

The district implemented GASB 101 "Compensated Absences" in the current year. This change resulted in a prior period adjustment to reduce net position by $553,512. Additionally, the district corrected errors in prior year right of use assets and subscriptions payable to reduce net position by $88,129. Total reduction to net position for both was $641,641.

Note 4: OTHER INFORMATION

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District purchases commercial insurance. The district has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or not performed correctly, it could result in a substantial liability to the District. Although the District does not anticipate that it will have any arbitrage liability, it periodically engages an arbitrage consultant to perform the calculations in accordance with IRS rules and regulations.

Note 4: OTHER INFORMATION (Continued)

Defined Benefit Pension Plan

Teacher Retirement System

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

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

Pension Plan Fiduciary Net Position

Detailed information about TRS'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 or by writing to TRS at 1000 Red River Street, Austin, Texas 78701-2698, or by calling 512.542.6592.

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

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

Note 4: OTHER INFORMATION (Continued)

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 TRS 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	
	2024	2025
Member	8.25%	8.25%
Non-Employer Contributing Entity (State)	8.25%	8.25%
Employers	8.25%	8.25%
Employer Contributions	$ 881,017	
Member Contributions	$ 1,643,890	
NECE On-behalf Contributions	$ 1,145,953	

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

As the NECE for public education and junior colleges, the State contributes to TRS 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 as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

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

Note 4: OTHER INFORMATION (Continued)

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

- All public schools, charter schools, charter schools, and regional educational service centers must contribute 1.8% of the member's salary beginning in the fiscal year 2023, gradually increasing to 2.0% in fiscal year 2025.

- When employing a retiree of the TRS, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Actuarial Assumptions

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

Valuation Date	August 31, 2024
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%
Long-term Expected Investment Rate of Return	7.00%
Municipal Bond Rate	4.13% - The source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bond with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."
Inflation	2.30%
Salary Increases Including Inflation	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 TPL are the same assumptions used in the actuarial valuation as of August 31, 2023. For a full description of these assumptions, please see the TRS actuarial valuation report dated August 31, 2024.

Discount Rate

A single discount rate of 7.00% was used to measure the TPL. 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 NECE 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 9.50% of payroll in fiscal year 2024 increasing to 9.56% in fiscal year 2025 and thereafter. This includes all employer and state contributions for active and rehired retirees.

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

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

Note 4: OTHER INFORMATION (Continued)

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

ASSET CLASS		TARGET** ALLOCATION	LONG-TERM EXPECTED GEOMETRIC REAL RATE OF RETURN***	EXPECTED CONTRIBUTION TO LONG-TERM PORTFOLIO RETURNS
Global Equity	U.S.A.	18%	4.0%	1.00%
	Non-U.S. Developed	13%	4.5%	0.90%
	Emerging Markets	9%	4.8%	0.70%
	Private Equity*	14%	7.0%	1.50%
Stable Value	Government Bonds	16%	2.5%	0.50%
	Absolute Return*	- %	3.6%	-
	Stable Value Hedge Funds	5%	4.1%	0.20%
Real Return	Real Estate	15%	4.9%	1.10%
	Energy, Natural Resources, and Infrastructure	6%	4.8%	0.40%
	Commodities	- %	4.4%	-
Risk Parity	Risk Parity	8%	4.5%	0.40%
Asset Allocation Leverage	Cash	2%	3.7%	-
	Asset Allocation Leverage	(6)%	4.4%	(0.10)%
	Inflation Expectation			2.30%
	Volatility Drag****			(0.90)%
Expected Return		100%		8.00%

* Absolute Return includes Credit Sensitive Investments.
** Target allocations are based on the FY2024 policy model.
*** Capital Market Assumptions come from Aon Hewitt (as of 08/31/2024).
**** The volatility drag results from the conversion between arithmetic and geometric mean returns.

Discount Rate Sensitivity Analysis

The following table presents the net pension liability (NPL) of TRS using the discount rate of 7%, and what the NPL would be if it was calculated using a discount rate that is 1% point lower (6%) or 1% point higher (8%) than the current rate:

	1% DECREASE IN DISCOUNT RATE (6.00%)	DISCOUNT RATE (7.00%)	1% INCREASE IN DISCOUNT RATE (8.00%)
District proportionate share of the net pension liability	$ 14,430,634	$ 9,034,655	$ 4,563,703

Pension Liability, Pension Expense, and Deferred Outflows/Inflows Related to Pensions

At August 31, 2025, the District reported a liability of $9,034,655 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	$ 9,034,655
State's proportionate share that is associated with the District	12,421,507
TOTAL	$ 21,456,162

Note 4: OTHER INFORMATION (Continued)

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

At August 31, 2024 the District's proportion of the collective net pension liability was 0.01479% which was an increase of 0.00085% from its proportion measured as of August 31, 2023.

Changes 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 Texas 2023 Legislature passed legislation that provides a one-time stipend to certain retired teachers. The stipend was paid to retirees beginning in September of 2023. The Legislature appropriated funds to pay for this one-time stipend so there will be no impact on the net pension liability of TRS. In addition, the Legislature also provided for a cost-sharing adjustment (COLA) to retirees which was approved during the November 2023 election which will be paid in January of 2024. Therefore, this contingent liability was not reflected as of August 2023.

For the year ended August 31, 2025, the District recognized pension expense of $1,484,578 and revenue of $1,484,578 for support provided by the State.

At the measurement year ended August 31, 2024, 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	$ 497,978	$ 70,538
Changes in actuarial assumptions	466,479	62,539
Difference between projected and actual investment earnings	2,169,286	2,114,368
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	672,365	276,363
Contributions paid to TRS subsequent to the measurement date	881,017	-
TOTAL	$ 4,687,125	$ 2,523,808

Note 4: OTHER INFORMATION (Continued)

$881,017 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the NPL for fiscal year August 31, 2025. The net 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 ENDED AUGUST 31,	PENSION EXPENSE AMOUNT
2026	$ 115,182
2027	$ 1,097,317
2028	$ 176,334
2029	$ (187,479)
2030	$ 80,946

Defined Other Postemployment Benefits Plan

Texas Public School Retired Employees Group Insurance Program

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. TRS-Care program was established in 1986 by the Texas Legislature.

The TRS board of Trustees (the "Board") administers the TRS-Care program and the related fund in accordance with Texas Insurance Code Chapter 1575. The Board 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

Detailed information about the TRS-Care's fiduciary net position is available in a separately issued TRS Annual Comprehensive Financial Report that includes financial statements and Required Supplementary Information. That report may be obtained on the Internet or by writing to TRS at 1000 Red River Street, Austin, Texas 78701-2698; or by calling 512.542.6592.

Benefits Provided

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

Note 4: OTHER INFORMATION (Continued)

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 TRS. There are no automatic postemployment benefit changes, including automatic COLAs.

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

TRS-Care Plan Premium Rates January 1, 2024 - December 31, 2024		
	Medicare	**Non-Medicare**
Retiree*	135	200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1,020	999

** or surviving spouse*

Contributions

Contribution rates for TRS-Care are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. TRS-Care 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 school districts based upon public school district payroll. The TRS Board 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 pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public or charter school. The actual employer contribution rate is prescribed by the Legislature in the GAA, which is 0.75% of each active employee's pay for fiscal year 2024.

The following table shows contributions to TRS-Care by type of contributor:

	CONTRIBUTION RATES	
	2024	2025
Member	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding Remitted by Employers	1.25%	1.25%
Employer Contributions	$ 209,775	
Member Contributions	$ 129,519	
NECE On-behalf Contributions	$ 259,769	

In addition to the employer contributions listed above, there is an additional surcharge to which all TRS employers are subject (regardless of whether they participate in TRS Care). When hiring a TRS retiree, employers are required to pay TRS-Care a monthly surcharge of $535 per retiree.

TRS-Care received supplemental appropriations from the State as the NECE in the amount of $21.3 million in fiscal year 2023 provider by Rider 1 of the Senate Bill GAA of the 87th Legislature. These amounts were re-appropriated from the amounts received by the pension and TRS-Care funds in excess of the state's actual obligation and then transferred to TRS-Care.

Note 4: OTHER INFORMATION (Continued)

Actuarial Assumptions

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

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for TRS, 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:

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

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

Additional actuarial methods and assumptions are as follows:

Actuarial Methods and Assumptions:

Valuation Date	August 31, 2023 rolled forward to August 31, 2024
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.87% as of August 31, 2024
Aging Factors	Based on plan-specific experience
Expenses	Third party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases	2.95% to 8.95%, including inflation
Healthcare Trend Rates	Medical trend rates: 7.75% (Medicare retirees) and 7.00% (non-Medicare retirees) Prescription drug trend rate: 775%. The initial trend rate decreased to an ultimate rate of 4.25% over a period of 12 years.
Election Rates	Normal Retirement: 62% participation prior to age 65 and 25% participation after age 65. 30% of pre-65 retirees are assumed to discontinue coverage at age 65.
Ad Hoc Postemployment Benefit Changes	None

Discount Rate

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

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

The source of the municipal bond rate is the Fidelity “20-year Municipal GO AA Index” as of August 31, 2024 using the Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

Note 4: OTHER INFORMATION (Continued)

Sensitivity of the Net OPEB Liability

Discount Rate Sensitivity Analysis

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

	1% DECREASE IN DISCOUNT RATE (2.87%)	DISCOUNT RATE (3.87%)	1% INCREASE IN DISCOUNT RATE (4.87%)
District proportionate share of the net pension liability	$ 8,230,064	$ 6,927,391	$ 5,874,811

Healthcare Cost Trend Rates Sensitivity Analysis

The following presents the net OPEB liability of TRS-Care using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% less than or 1% higher than the assumed healthcare cost trend rate:

	1% DECREASE IN DISCOUNT RATE (3.25%)	DISCOUNT RATE (4.25%)	1% INCREASE IN DISCOUNT RATE (5.25%)
District proportionate share of the net pension liability	$ 5,641,331	$ 6,927,391	$ 8,603,255

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

At August 31, 2025, the District reported a liability of $6,927,391 for its proportionate share of TRS-Care'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 pension liability	$ 6,927,391
State's proportionate share that is associated with the District	8,679,927
TOTAL	$ 15,607,318

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

At August 31, 2024, the employer's proportion of the collective net OPEB liability was 0.0228% compared to 0.0230% as of August 31, 2023.

Note 4: OTHER INFORMATION (Continued)

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 since the prior measurement period:

1. The discount rate changed from 4.13 percent as of August 31, 2023 to 3.87 percent as of August 31, 2024, accompanied by revised demographic and economic assumptions based on the TRS experience.

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

For the year ended August 31, 2025, the District recognized OPEB expense of $1,128,230 and revenue of $1,128,230 for support provided by the State.

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

	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Differences between expected and actual economic experience	$ 1,327,748	$ 3,457,144
Changes in actuarial assumptions	886,624	2,260,327
Difference between projected and actual investment earnings	6,644	26,043
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	973,533	709,540
Contributions paid to TRS subsequent to the measurement date	209,775	-
TOTAL	$ 3,404,324	$ 6,453,054

The amount of $209,775 for contributions made after the measurement date of the net OPEB liability but before the end of the District's reporting period will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year. The net amounts of the District's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

YEAR ENDED AUGUST 31,	PENSION EXPENSE AMOUNT
2026	$ (921,153)
2027	$ (607,403)
2028	$ (731,751)
2029	$ (580,733)
2030	$ (347,931)
Thereafter	$ (69,534)

Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for 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 $138,087, $98,571, and $93,875, respectively.

Note 4: OTHER INFORMATION (Continued)

Employee Health Care Coverage

During the year ended August 31, 2025, employees of the District were overed by a health insurance plan (the "Plan"). The District paid premiums of $300 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement. The contract between the District and the insurer is renewable September 1, 2025 and terms of coverage and premiums costs are included in the contractual provisions.

Workers' Compensation

During the year ended August 31, 2025, employees of the District participated in a workers' compensation plan (the "Plan"). The Plan as authorized by Section 21.992, Texas Education Code and was documented by contractual agreements.

The contract between the District and the third-party administrator, Claims Administrative Services (CAS), acting on-behalf of the self-funded pool, is renewable September 1, 2025, and terms, as well as costs of coverage, are included in the contractual provisions.

In accordance with state statutes, the District was protected against unanticipated catastrophic individual or aggregate loss by reinsurance coverage carried through Midwest Employers Casualty, a commercial insurer licensed or eligible to do business in the State in accordance with Texas Insurance Code. Reinsurance coverage was in effect for individual claims exceeding $500,000 and for aggregate claims with a statutory limit of $3,000,000. According to CAS, the unfunded claim benefit obligation included $55,701 in claims that were unpaid and $51,109 in estimated claims incurred, but not reported.

The claims liability is based on estimates of the ultimate cost of reported claims (including future claims adjustment expenses) and an estimate for claims which have been incurred but not reported based on historical experience. Changes in the claims' liability for workers' compensation benefits for the current fiscal year are summarized below:

	2025
Beginning claims liability	$ 74,957
Claims incurred	73,794
Claim payments	(93,050)
ENDING CLAIMS LIABILITY	$ 55,701

Unemployment Compensation

During the year ended August 31, 2025, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's unemployment compensation program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

Note 4: OTHER INFORMATION (Continued)

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop-loss coverage for the unemployment compensation pool. For the year ended August 31, 2025, the Fund anticipates that the District has no additional liability beyond the contractual obligation for payment of contribution.

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

Auto, Liability, and Property Program

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

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

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

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for the auto, liability, and property programs. The terms and limits of the stop-loss program vary by line of coverage. The fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2025, the Fund anticipates that the District has no additional liability beyond the contractual obligations for payment of contributions.

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

Note 5: FINANCE – RELATED LEGAL AND CONTRACTUAL PROVISIONS

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosure", violations of finance-related legal and contractual provisions, if any, are reported below:

m	Function	Variance
199 General Fund	21	$ (11,306)
240 Child Nutrition	23	$ (441)
240 Child Nutrition	35	$ (74,881)
240 Child Nutrition	71	$ (1,855)

Center Independent School District
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual – General Fund
Exhibit G-1

DATA CONTROL CODES		1 BUDGETED ORIGINAL	2 FINAL	3 ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	Revenues:				
5700	Local and intermediate sources	$ 5,548,017	$ 5,548,017	$ 5,907,662	$ 359,645
5800	State program revenues	22,527,311	22,527,311	21,846,118	(681,193)
5900	Federal program revenues	370,000	370,000	420,599	50,599
5020	TOTAL REVENUES	28,445,328	28,445,328	28,174,379	(270,949)
	Expenditures:				
11	Instruction	14,948,396	15,469,278	15,425,902	43,376
12	Instructional resources and media	191,720	199,720	196,777	2,943
13	Curriculum and staff development	112,091	158,856	111,743	47,113
21	Instructional leadership	423,789	423,789	435,095	(11,306)
23	School leadership	1,899,162	1,919,162	1,911,362	7,800
31	Guidance, counseling and evaluation	947,589	1,097,589	1,086,198	11,391
33	Health services	276,347	276,347	272,439	3,908
34	Student transportation	1,645,059	1,784,065	1,503,263	280,802
36	Cocurricular/extracurricular activities	1,037,708	1,415,936	1,378,858	37,078
41	General administration	1,426,825	1,568,477	1,559,935	8,542
51	Plant maintenance and operations	3,178,165	3,800,917	3,525,452	275,465
52	Security and monitoring	357,611	364,611	344,095	20,516
53	Data Processing	556,699	590,446	532,160	58,286
61	Community Services	230,889	230,889	208,743	22,146
71	Debt service	954,808	954,808	667,600	287,208
81	Capital outlay	-	220,200	218,312	1,888
99	Other Governmental Charges	258,470	258,470	256,457	2,013
6030	TOTAL EXPENDITURES	28,445,328	30,733,560	29,634,391	1,099,169
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(2,288,232)	(1,460,012)	828,220
	OTHER FINANCING SOURCES				
7913	Proceeds from right to use leases and SBITAs	-	-	280,574	280,574
8911	Transfer Out	-	-	(16,141)	(16,141)
7080	TOTAL OTHER FINANCING SOURCES	-	-	264,433	264,433
1200	NET CHANGE IN FUND BALANCE	-	(2,288,232)	(1,195,579)	1,092,653
100	Fund balance - Beginning	12,689,949	12,689,949	12,689,949	-
3000	FUND BALANCE - ENDING	$ 12,689,949	$ 10,401,717	$ 11,494,370	$ 1,092,653

See independent auditor's report.

Center Independent School District
Schedule of The District's Proportionate Share of the Net Pension Liability
Teacher Retirement System
Exhibit G-2

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the NPL	0.0148%	0.0139%	0.0146%	0.0141%	0.0129%	0.0136%	0.0147%	0.0136%	0.0142%	0.0155%
District's proportionate share of the NPL	$ 9,034,655	$ 9,577,697	$ 8,651,475	$ 3,578,471	$ 6,898,053	$ 7,093,566	$ 8,066,323	$ 4,345,761	$ 5,361,295	$ 5,477,700
State share of the NPL associated with the district	12,421,507	14,158,502	12,797,918	6,043,294	13,068,773	12,002,096	13,561,281	8,295,006	9,991,763	9,795,156
TOTAL	$ 21,456,162	$ 23,736,199	$ 21,449,393	$ 9,621,765	$ 19,966,826	$ 19,095,662	$ 21,627,604	$ 12,640,767	$ 15,353,058	$ 15,272,856
District's covered-employee payroll	$ 18,917,951	$ 17,857,400	$ 18,091,396	$ 17,511,562	$ 16,880,557	$ 15,874,707	$ 16,297,288	$ 15,671,850	$ 15,696,039	$ 15,668,897
Proportionate share/covered payroll	47.76%	53.63%	47.82%	20.43%	40.86%	44.68%	49.49%	27.73%	34.16%	34.96%
Plan fiduciary net position/total pension liability	77.51%	73.15%	75.62%	75.54%	75.54%	75.24%	73.74%	82.17%	78.00%	78.40%

Note 1: CHANGE IN BENEFIT TERMS AND ASSUMPTIONS

Changes of Benefit Terms

See Note 8 for changes.

Changes of Assumptions

See Note 8 for changes.

Note 1: CHANGES IN BENEFIT TERMS AND ASSUMPTIONS

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	$ 881,017	$ 833,467	$ 716,719	$ 680,224	$ 596,129	$ 531,307	$ 478,560	$ 493,473	$ 445,443	$ 450,495
Contributions to required contribution	(881,017)	(833,467)	(716,719)	(680,224)	(596,129)	(531,307)	(478,560)	(493,473)	(445,443)	(450,495)
CONTRIBUTION DEFICIENCY (EXCESS)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 19,925,938	$ 18,917,951	$ 17,857,400	$ 18,091,396	$ 17,511,562	$ 16,880,557	$ 15,874,707	$ 16,297,288	$ 15,671,850	$ 15,696,039
Contributions to covered payroll	4.42%	4.41%	4.01%	3.76%	3.40%	3.15%	3.01%	3.03%	2.84%	2.87%

Changes of Benefit Terms

See Note 8 for changes.

Changes of Assumptions

See Note 8 for changes.

Center Independent School District
Schedule of the District's Proportionate Share of OPEB Liability and District's OPEB Contributions
Teacher Retirement System
Last Ten Fiscal Years*
Exhibit G-4

	2024	2023	2022	2021	2020	2019	2018
District's proportion of the OPEBL	0.0228%	0.0230%	0.0222%	0.0237%	0.0226%	0.0219%	0.0221%
District's proportionate share of the OPEBL	$ 6,927,391	$ 5,095,353	$ 5,313,422	$ 9,124,086	$ 8,600,795	$ 10,362,682	$ 11,028,767
State share of the OPEBL associated with the district	8,679,927	6,148,326	6,481,540	12,224,242	11,557,405	13,769,688	13,755,810
TOTAL	$ 15,607,318	$ 11,243,679	$ 11,794,962	$ 21,348,328	$ 20,158,200	$ 24,132,370	$ 24,784,577
District's covered-employee payroll	$ 18,917,951	$ 17,857,400	$ 18,091,396	$ 17,511,562	$ 16,880,557	$ 15,874,707	$ 16,297,288
Proportionate share/covered payroll	36.62%	28.53%	29.37%	52.10%	50.95%	65.28%	67.67%
Plan fiduciary net position/total OPEB liability	13.70%	14.94%	11.52%	6.18%	4.99%	2.66%	1.57%

	2025	2024	2023	2022	2021	2020	2019
Contractually required contribution	$ 209,775	$ 207,321	$ 199,658	$ 182,549	$ 182,853	$ 171,923	$ 155,092
Contributions to required contribution	(209,775)	(207,321)	(199,658)	(182,549)	(182,853)	(67,568)	(161,670)
CONTRIBUTION DEFICIENCY (EXCESS)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered-employee payroll	$ 19,925,938	$ 18,917,951	$ 17,857,400	$ 18,092,396	$ 17,511,562	$ 16,880,557	$ 15,874,707
Contributions to covered payroll	1.05%	1.10%	1.12%	1.01%	1.04%	1.02%	0.98%

Information provided by the Teacher Retirement System of Texas.

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

Note 1: CHANGE IN BENEFIT TERMS AND ASSUMPTIONS
See Note 9 for changes in benefit terms and assumptions.

See independent auditor's report.

Center Independent School District
Combining Balance Sheet
Nonmajor Special Revenue Governmental Funds
Exhibit H-1

Data Control Codes		211 ESEA Title I	224 IDEA B Formula	225 IDEA B Preschool	240 Child Nutrition	244 Career and Technical Education	255 Title II, Part A Training	263 Title III Part A ELA
	ASSETS:							
1110	Cash and Cash Equivalent	$ (14,946)	$ 105,448	$ 5,581	442,700	973	$ (3,393)	$ 4,070
1242	Due from Other Government	123,917	23,699	1,375	121,820	-	9,602	-
1260	Due from Other Funds	-	-	-	213,926	-	-	-
1000	Total Assets	$ 108,971	$ 129,147	$ 6,956	778,446	973	$ 6,209	$ 4,070
	LIABILITIES:							
2160	Accrued Wages Payable	46,725	15,227	1,282	53,331	-	5,649	3,667
2170	Due to Other Funds	62,246	93,426	5,674	-	973	560	$ 403
2600	Unearned Revenue	-	-	-	-	-	-	-
2000	Total Liabilities	108,971	108,653	6,956	53,331	973	6,209	4,070
	FUND BALANCES:							
3490	Other restricted fund balance	-	20,494	-	725,115	-	-	-
3000	Total Fund Balance	-	20,494	-	725,115	-	-	-
4000	Total Liabilities and Fund Balances	$ 108,971	$ 129,147	$ 6,956	778,446	973	$ 6,209	$ 4,070

See independent auditor's report.

Center Independent School District
Combining Balance Sheet
Nonmajor Special Revenue Governmental Funds
Exhibit H-1 (Continued)

Data Control Codes		270 Title IV, Part B	289 Summer School LEP Program	397 Advanced Placement Incentives	410 State Textbook Fund	429 Rural School Technology	458 SSA Alternative Education	461 Campus Activity Fund	Special Revenue Funds (See Exhibit C-1)
	ASSETS:								
1110	Cash and Cash Equivalent	$ 30	$ 3,737	$ 450	$ -	$ (65,250)	$ 183,750	$ 100,547	$ 763,697
1242	Due from Other Government	-	4,727	-	-	65,250	-	-	350,390
1260	Due from Other Funds	-	-	-	-	-	-	-	213,926
1000	Total Assets	$ 30	$ 8,464	$ 450	$ -	$ -	$ 183,750	$ 100,547	$ 1,328,013
	LIABILITIES:								
2160	Accrued Wages Payable	-	-	-	-	-	-	-	125,881
2170	Due to Other Funds	-	-	-	-	-	-	-	163,282
2600	Unearned Revenue	-	3,010	-	-	-	-	-	3,010
2000	Total Liabilities	-	3,010	-	-	-	-	-	292,173
	FUND BALANCES:								
3490	Other restricted fund balance	30	5,454	450	-	-	183,750	100,547	1,035,840
3000	Total Fund Balance	30	5,454	450	-	-	183,750	100,547	1,035,840
4000	Total Liabilities and Fund Balances	$ 30	$ 8,464	$ 450	$ -	$ -	$ 183,750	$ 100,547	$ 1,328,013

See independent auditor's report.

Center Independent School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Governmental Funds
Exhibit H-2

Data Control Codes		211 ESEA Title I	224 IDEA B Formula	225 IDEA B Preschool	240 Child Nutrition	244 Career and Technical Education	255 Title II, Part A Training	263 Title III Part A ELA
	REVENUES:							
5700	Local and Intermediate Sources	$ -	$ -	$ -	$ 188,335	$ -	$ -	$ -
5800	State Program Revenues	-	-	-	63,754	-	-	-
5900	Federal Program Revenues	1,031,942	578,580	23,546	1,557,090	34,529	82,531	79,035
5020	Total Revenues	1,031,942	578,580	23,546	1,809,179	34,529	82,531	79,035
	EXPENDITURES:							
0011	Instruction	726,259	229,972	16,491	-	34,529	47,646	67,163
0012	Instructional Resources and Media Services	76	-	-	-	-	-	-
0013	Curriculum and Staff Development	205,405	633	200	-	-	34,885	19,928
0021	Instructional Leadership	100,202	88,115	1,000	-	-	-	-
0023	School Leadership	-	-	-	441	-	-	-
0031	Guidance, Counseling, & Evaluation Services	-	238,866	5,855	-	-	-	-
0034	Guidance, Counseling, & Evaluation Services	-	500	-	-	-	-	-
0035	Food Services	-	-	-	1,944,602	-	-	-
0036	Cocurricular/Extracurricular Activities	-	-	-	-	-	-	-
0052	Security and monitoring services	-	-	-	-	-	-	-
0071	Debt Service	-	-	-	1,855	-	-	-
6030	Total Expenditures	1,031,942	558,086	23,546	1,946,898	34,529	82,531	87,091
1100	Excess Revenue over Expenditures	-	20,494	-	(137,719)	-	-	(8,056)
	Other Financing Sources							
7915	Transfers In	-	-	-	-	-	-	8,056
7080	Total other financing sources	-	-	-	-	-	-	8,056
1200	Net Change in Fund Balances	-	20,494	-	(137,719)	-	-	-
0100	Fund Balances - Beginning	-	-	-	862,834	-	-	-
3000	Fund Balances - Ending	$ -	$ 20,494	$ -	$ 725,115	$ -	$ -	$ -

See independent auditor's report.

Center Independent School District
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Governmental Funds
Exhibit H-2 (Continued)

Data Control Codes		270 Title IV, Part B	289 Summer School LEP Program	397 Summer School LEP Program	410 State Textbook Fund	429 Rural School Technology	458 SSA Alternative Education	461 Campus Activity Fund	Special Revenue Funds (See Exhibit C-2)
	REVENUES:								
5700	Local and Intermediate Sources	$ -	$ -	$ -	$ -	$ -	$ -	$ 367,325	$ 555,660
5800	State Program Revenues	-	-	-	38,150	148,369	-	-	$ 250,273
5900	Federal Program Revenues	98,972	89,316	-	-	-	-	-	$ 3,575,541
5020	Total Revenues	98,972	89,316	-	38,150	148,369	-	367,325	4,381,474
	EXPENDITURES:								
0011	Instruction	98,942	20,874	-	38,150	1,189	-	-	$ 1,281,215
0012	Instructional Resources and Media Services	-	-	-	-	-	-	-	76
0013	Curriculum and Staff Development	-	5,818	-	-	-	-	-	266,869
0021	Instructional Leadership	-	-	-	-	-	-	-	189,317
0023	School Leadership	-	-	-	-	-	-	-	441
0031	Guidance, Counseling, & Evaluation Services	-	57,170	-	-	-	-	-	301,891
0034	Guidance, Counseling, & Evaluation Services	-	-	-	-	-	-	-	500
0035	Food Services	-	-	-	-	-	-	-	1,944,602
0036	Cocurricular/Extracurricular Activities	-	-	-	-	-	-	350,192	350,192
0052	Security and monitoring services	-	-	-	-	148,292	-	-	148,292
0071	Debt Service	-	-	-	-	-	-	-	1,855
6030	Total Expenditures	98,942	83,862	-	38,150	149,481	-	350,192	4,485,250
1100	Excess Revenue over Expenditures	30	5,454	-	-	(1,112)	-	17,133	(103,776)
	Other Financing Sources								
7915	Transfers In	-	-	-	-	1,112	-	15,000	24,168
7080	Total other financing sources	-	-	-	-	1,112	-	15,000	24,168
1200	Net Change in Fund Balances	30	5,454	-	-	-	-	32,133	(79,608)
0100	Fund Balances - Beginning	-	-	450	-	-	183,750	68,414	1,115,448
3000	Fund Balances - Ending	$ 30	$ 5,454	$ 450	$ -	$ -	$ 183,750	$ 100,547	$ 1,035,840

See independent auditor's report.

Center Independent School District
Schedule of Delinquent Taxes Receivable
Exhibit J-1

	Tax Rates		Appraised Value	Beginning	Current Year's	Maintenance	Debt Service		Total Ending	Total Taxes Refunded Under
	Maintenance	Debt Service	for tax purposes	Balance	Levy	Collections	Collections	Adjustments	Balances	Section 26.1115(c)
2016 and prior	various	various	Various	$ 463,114		$ 13,926	$ 1,873	$ (47,756)	$ 399,559	
2017	1.1700	0.1638	$ 524,436,655	69,487		4,027	562	(12,817)	52,081	
2018	1.1700	0.1638	$ 525,684,302	53,628		5,111	715	(1,991)	45,811	
2019	1.1700	0.2438	$ 534,325,963	61,763		3,521	733	(1,894)	55,615	
2020	1.0683	0.2438	$ 553,998,629	86,118		5,054	1,153	(12,357)	67,554	
2021	1.0547	0.3025	$ 553,060,787	99,075		8,449	2,409	(11,630)	76,587	
2022	1.0402	0.2872	$ 590,941,537	99,823		10,302	2,846	(1,652)	85,023	
2023	0.9429	0.2875	$ 660,463,576	127,550		1,361	407	(23,301)	102,481	
2024	0.7575	0.2875	$ 690,507,226	230,532		(1,839)	(777)	(75,424)	157,724	
2025	0.7575	0.2875	$ 675,294,545	-	7,056,828	4,870,178	1,848,424	(87,983)	250,243	
Total				$ 1,291,090	$ 7,056,828	$ 4,920,090	$ 1,858,345	$ (276,805)	$ 1,292,678	
Refunds										$ 5,932

See independent auditor's report.

Center Independent School District
National School Breakfast and Lunch Program
Budgetary Comparison Schedule
Exhibit J-2

DATA CONTROL CODES		1 ORIGINAL BUDGET	2 FINAL BUDGET	3 ACTUAL AMOUNTS	4 VARIANCE POSITIVE (NEGATIVE)
	Revenues:				
5700	Local and intermediate sources	$ 364,541	$ 364,541	$ 188,335	$ (176,206)
5800	State program revenues	16,000	16,000	63,754	47,754
5900	Federal program revenues	1,249,182	1,249,182	1,557,090	307,908
5020	TOTAL REVENUES	1,629,723	1,629,723	1,809,179	179,456
	Expenditures:				
0023	School leadership	-	-	441	(441)
0035	Food services	1,629,723	1,869,721	1,944,602	(74,881)
0071	Debt service	-	-	1,855	(1,855)
6030	TOTAL EXPENDITURES	1,629,723	1,869,721	1,946,898	(77,177)
1200	NET CHANGES IN FUND BALANCES	-	(239,998)	(137,719)	102,279
0100	Fund balance - Beginning	862,834	862,834	862,834	-
3000	FUND BALANCE - ENDING	$ 862,834	$ 622,836	$ 725,115	$ 102,279

See independent auditor's report.

Center Independent School District
Debt Service Fund
Budgetary Comparison Schedule
Exhibit J-3

DATA CONTROL CODES		1 ORIGINAL BUDGET	2 FINAL BUDGET	3 ACTUAL AMOUNTS	4 VARIANCE POSITIVE (NEGATIVE)
	Revenues:				
5700	Local and intermediate sources	$ 1,800,149	$ 1,800,149	$ 1,950,031	$ 149,882
5800	State program revenues	513,040	513,040	481,752	(31,288)
5020	TOTAL REVENUES	2,313,189	2,313,189	2,431,783	118,594
	Expenditures:				
0071	Debt Service	2,313,189	2,313,189	2,312,689	500
	TOTAL DEBT SERVICE	2,313,189	2,313,189	2,312,689	500
6030	TOTAL EXPENDITURES	2,313,189	2,313,189	2,312,689	500
1200	NET CHANGE IN FUND BALANCE	-	-	119,094	119,094
0100	Fund balance - Beginning	-	-	601,263	-
3000	FUND BALANCE - ENDING	$ -	$ -	$ 720,357	$ 119,094

See independent auditor's report.

Center Independent School District
State Supplemental Allotment Compliance
Use of Funds Report
Exhibit J-4

DATA CONTROL CODES		RESPONSES
	Section A: Compensatory Education Programs	
	Districts are required to use at least 55% of state compensatory education state allotment funds on direct program costs. Statutory Authority: Texas Education Code §48.104.	
AP1	Did your district expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the district have written policies and procedures for its state compensatory education program?	Yes
AP3	Total state allotment funds received for state compensatory education programs during the district's fiscal year.	$ 2,863,245
AP4	Actual direct program expenditures for state compensatory education programs during the district's fiscal year. (PICs 24,26,28,29,30,34)	$ 1,827,754
	Section B: Bilingual Education Programs	
	Districts are required to use at least 55% of bilingual education state allotment funds on direct program costs. Statutory Authority: Texas Education Code §48.105.	
AP5	Did your district expend any bilingual education program state allotment funds during the district's fiscal year?	Yes
AP6	Does the district have written policies and procedures for its bilingual education program?	Yes
AP7	Total state allotment funds received for bilingual education programs during the district's fiscal year.	$ 414,532
AP8	Actual direct program expenditures for bilingual education programs during the district's fiscal year. (PICs 25 and 35)	$ 562,610

CARR, RIGGS & INGRAM, L.L.C.

Carr, Riggs & Ingram, L.L.C.
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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*

Board of Trustees
Center Independent School District
Center, Texas

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Center Independent School District as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise the basic financial statements and have issued our report thereon dated February 11, 2026.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

CARR, RIGGS & INGRAM, L.L.C.

Lufkin, Texas
February 11, 2026

CARR, RIGGS & INGRAM, L.L.C.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH *UNIFORM GUIDANCE*

Board of Trustees
Center Independent School District
Center, Texas

Members of the Board:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

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

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* 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 Center Independent School District and to meet our other 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 Center Independent School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Center Independent School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Center Independent School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Center Independent School District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

CARR, RIGGS & INGRAM, L.L.C.

Lufkin, Texas
February 11, 2026

Center Independent School District
Schedule of Expenditures of Federal Awards
Exhibit K-1

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE	(2) FEDERAL ALN NUMBER	(2A) PASS-THROUGH ENTITY IDENTIFYING NUMBER	(3) FEDERAL EXPENDITURES	Subrecipients
U.S. Department of Agriculture:				
Child Nutrition Cluster				
National School Breakfast Program	10.553	71402401	$ 356,702	$ -
National School Lunch Program	10.555	71302401	$ 998,850	
Supply Chain Assistance Grant	10.555	71302401	100,241	-
Total Child Nutrition Cluster			1,455,793	-
Commodity Supplemental Food Program	10.565	806780706	101,297	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE			1,557,090	-
U.S. Department of Education:				
Special Education Cluster				
Special Education Grants to States	84.027	256600011879046000	578,580	-
Special Education Preschool Grants	84.173	256610011879046000	23,546	-
Total Special Education Cluster			602,126	-
Title I Grants to Local Educational Agencies	84.010	25610101187904	1,031,942	-
Rural Education	84.358	2569600187904	98,972	-
Supporting Effective Instruction State Grants	84.367	25694501187904	82,531	-
Student Support and Academic Enrichment Program	84.424A	25680101187904	83,862	-
21-22 Perkins V: Strengthening CTE for 21st Century	84.048A	25420006210901	34,529	-
LEP Summer School	84.369A	69552302	5,454	-
Title III, Part A - ELA and Language Enhancement	84.365	256710012110901	79,035	-
TOTAL U.S. DEPARTMENT OF EDUCATION			2,018,451	-
U.S. Department of Education:				
Federal Oil and Gas Royalty	15.427	N/A	55,221	
TOTAL U.S. DEPARTMENT OF EDUCATION			55,221	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 3,630,762	$ -

Reconciliation for Exhibit C-2

TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 3,630,762
Other Federal Programs:			
School Health and Related Services	93.778	N/A	184,052
Qualified School Construction Bonds Subsidy	N/A	N/A	181,326
TOTAL FEDERAL REVENUE PER EXHIBIT C-2			$ 3,996,140

Note 1: BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal grant activity of the District. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Note 3: INDIRECT COST RATE

The District has elected not to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance.

Note 4: SUBRECIPIENTS

The District did not provide any federal awards to subrecipients during the fiscal year ending August 31, 2025. Accordingly, there are no amounts included in the SEFA that represent payments to subrecipients.

A. Summary of the Auditor's Results

Type of report on financial statements	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	___ Yes	_X_ No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	___ Yes	_X_ None reported
Internal control over major programs:		
Material weakness(es) identified?	___ Yes	_X_ No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	___ Yes	_X_ None reported
Noncompliance which is material to the basic financial statement	___ Yes	_X_ None
Type of report on compliance with major programs:	Unmodified	
Findings and questioned costs for Federal awards as defined in Section 200.516, Uniform Guidance	None	
Dollar threshold considered between Type A and Type B Federal programs:	$750,000	
Low-risk auditee statement	The District was classified as a low-risk auditee in the context of Uniform Guidance	
Major Federal programs	84.010 Title I	

B. Findings related to the financial statements which are required to be reported in Accordance with Generally Accepted Auditing Standards.

NONE

C. Findings and Questioned Costs for Federal Award

NONE

Corrective Action Plan

NONE

Prior Audit Findings

Finding 2024-001:

Lack of documented approval of bank reconciliations

Status: RESOLVED

Management updated procedures to implement a formal approval process

Center Independent School District
Schedule of Required Responses to Selected School First Indicators
Exhibit L-1

DATA CONTROL CODES		RESPONSES
SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF3	Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (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.	$ _____

APPENDIX E

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No.: -N

BONDS: $ in aggregate principal amount of Effective Date:

Premium: $

ASSURED GUARANTY INC. ("AG"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AG, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AG shall have received Notice of Nonpayment, AG will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AG, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AG. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AG is incomplete, it shall be deemed not to have been received by AG for purposes of the preceding sentence and AG shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AG shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AG hereunder. Payment by AG to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AG under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AG shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AG which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

SPECIMEN

AG may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AG pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AG and shall not be deemed received until received by both and (b) all payments required to be made by AG under this Policy may be made directly by AG or by the Insurer's Fiscal Agent on behalf of AG. The Insurer's Fiscal Agent is the agent of AG only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AG to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AG agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AG to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AG, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY INC.

By _____
Authorized Officer

1633 Broadway, New York, N.Y. 10019 (212) 974-0100

Form 500 (8/24)

SPECIMEN

Financial Advisory Services
Provided By: