

PRELIMINARY OFFICIAL STATEMENT

Dated February 3, 2026

NEW ISSUE – Book-Entry-Only

Rating: Moody's: "Aaa"/"Aa2"

PSF Guaranteed

(See "OTHER INFORMATION – Ratings" and "APPENDIX D –
THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein)

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



\$83,500,000*

MIDWAY INDEPENDENT SCHOOL DISTRICT

(A Political Subdivision of the State of Texas Located in McLennan County)

UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2026

Dated Date: March 18, 2026

Due: August 15

Interest Accrues from the Date of Initial Delivery (defined below)

as shown on page 2

PAYMENT TERMS . . . The Midway Independent School District (the "Issuer" or "District") is issuing its \$83,500,000* Unlimited Tax School Building Bonds, Series 2026 (the "Bonds"). Interest on the Bonds will accrue from the Date of Initial Delivery to the Underwriters (defined below) and will be initially payable on August 15, 2026, and each February 15 and August 15 thereafter until stated maturity or prior redemption. The Bonds will be issued in denominations of \$5,000 of principal amount or any integral multiple thereof within a maturity. Interest on the Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the book-entry-only system described herein. **No physical delivery of the Bonds will be made to the owners thereof** (see "THE BONDS – Book-Entry-Only System"). The initial Paying Agent/Registrar is UMB Bank, N.A., Dallas, Texas (see "THE BONDS – Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are being issued by the District pursuant to the Constitution and general laws of the State of Texas, including Section 45.001 and Section 45.003(b)(1), Texas Education Code, as amended ("Chapter 45"), Chapter 1371, Texas Government Code, as amended (the "Act"), an election held on November 4, 2025 (the "Election"), and an order (the "Bond Order") adopted by the Board of Trustees (the "Board") of the District on December 16, 2025. As permitted by the Act, the Board, in the Bond Order, authorized certain District representatives to execute a pricing certificate (the "Pricing Certificate") establishing the terms of sale of the Bonds and finalizing certain characteristics thereof related to final pricing (the Bond Order and Pricing Certificate are collectively referred to as the "Order") (see "THE BONDS – Authority for Issuance"). **The District has received conditional approval for the Bonds to be guaranteed by the Permanent School Fund Guarantee Program, which will automatically become effective when the Attorney General of Texas approves the Bonds (see "APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM").**

PURPOSE . . . Proceeds of the Bonds will be used for the purposes of: (i) construction, improvement, expansion, renovation and equipment of school facilities and safety and security enhancements in the District, the purchase of necessary sites for school facilities and the purchase of school buses; (ii) constructing, improving, modernizing and equipping extra/cocurricular facilities in the District, including the installation of LED lighting, security, and technology at such facilities; (iii) acquiring and updating instructional technology equipment; and (iv) paying issuance costs associated with the Bonds (see "THE BONDS – Purpose").

CUSIP PREFIX: 598223

MATURITY SCHEDULE

Shown on page 2

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the initial purchasers of the Bonds identified below (the "Underwriters"), and subject to the approving opinion of the Attorney General of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, as Bond Counsel (see "APPENDIX C – Form of Bond Counsel's Opinion"). Certain legal matters will be passed upon for the Underwriters by their legal counsel, Winstead PC, San Antonio, Texas.

DELIVERY . . . It is expected that the Bonds will be available for delivery through DTC on or about March 18, 2026 (the "Date of Initial Delivery").

PIPER SANDLER & Co.

FROST BANK

JEFFERIES

*Preliminary, subject to change.

\$83,500,000*
MIDWAY INDEPENDENT SCHOOL DISTRICT
(A Political Subdivision of the State of Texas Located in McLennan County)
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2026

MATURITY SCHEDULE*

Maturity (August 15)	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix ⁽¹⁾
2026	\$ 580,000			
2027	2,525,000			
2028	1,950,000			
2029	2,080,000			
2030	2,055,000			
2031	3,335,000			
2032	3,505,000			
2033	1,220,000			
2034	3,740,000			
2035	3,925,000			
2036	4,125,000			
2037	4,330,000			
2038	4,545,000			
2039	4,775,000			
2040	5,010,000			
2041	5,265,000			
2042	5,525,000			
2043	5,800,000			
2044	6,095,000			
2045	6,395,000			
2046	6,720,000			

(Interest Accrues from the Date of Initial Delivery)

* Preliminary, subject to change.

⁽¹⁾ CUSIP data is provided by CUSIP Global Services, managed by FactSet Research Systems, Inc. on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. None of the District, the Financial Advisor, nor the Underwriters take any responsibility for the accuracy of CUSIP numbers.

REDEMPTION PROVISIONS . . . The District reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 2036, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. The Bonds may be subject to mandatory sinking fund redemption in the event the Underwriters elect to aggregate two or more consecutive maturities as “Term Bonds” (see “THE BONDS – Redemption”).

DISTRICT OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

Name	Years Served	Term Expires	Occupation
Ms. Susan Vick President	15	May 2026	Civic Duty/Volunteer
Ms. Pam Watts Vice President	9	May 2028	Freelance Writer and Co-Founder, The Mothers of Midway
Mr. Colin Witt Secretary	5	May 2027	President, Clever Guys Media
Mr. Rick Tullis Member	12	May 2028	Retired President, Capstone Mechanical
Mr. Brad Alford Member	7	May 2027	Owner, The Alford Company
Mr. Jonathan Green Member	5	May 2028	Owner and CPA, J.A. Green Accounting Services
Mr. Jordan Barry Member	New	May 2026	Senior Vice President, American Bank

SELECTED ADMINISTRATIVE STAFF

Name	Position	Years of Service with the District	Years of Service in Present Position
Dr. Chris Allen	Superintendent	3	3
Mr. Wesley Brooks	Assistant Superintendent of Finance	11	11
Dr. Ashley Canuteson	Assistant Superintendent for Human Resources	26	4
Mr. Paul Offill	Assistant Superintendent for Administrative Services	17	2
Dr. Becky Odajima	Assistant Superintendent for Teaching and Learning	14	5

CONSULTANTS AND ADVISORS

Bond Counsel	McCall, Parkhurst & Horton L.L.P. San Antonio, Texas
Financial Advisor	Specialized Public Finance Inc. San Antonio, Texas
Auditors	Pattillo, Brown & Hill, L.L.P. Waco, Texas

For additional information regarding the District, please contact:

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or

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Specialized Public Finance Inc.
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San Antonio, Texas 78258
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USE OF INFORMATION IN THE PRELIMINARY OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission ("SEC"), as amended (the "Rule"), this document constitutes an "official statement" of the District with respect to the Bonds that has been "deemed final" by the District as of its date except for the omission of the information permitted by the Rule.

No dealer, broker, salesman or other person has been authorized by the District, the Financial Advisor, or the Underwriters to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the District, the Financial Advisor or the Underwriters. This Official Statement does not constitute an offer to sell Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer in such jurisdiction.

Certain information set forth herein has been obtained from the District and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Financial Advisor or the Underwriters. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof.

See "APPENDIX D – PERMANENT SCHOOL FUND GUARANTEE PROGRAM – PSF Continuing Disclosure Undertaking" and "CONTINUING DISCLOSURE OF INFORMATION" for a description of the undertakings of the Texas Education Agency ("TEA") and the District, respectively, to provide certain information on a continuing basis.

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

NONE OF THE DISTRICT, ITS FINANCIAL ADVISOR OR THE UNDERWRITERS MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM OR THE AFFAIRS OF THE TEA DESCRIBED UNDER "APPENDIX D - PERMANENT SCHOOL FUND GUARANTEE PROGRAM," AS SUCH INFORMATION IS PROVIDED BY DTC AND THE TEA, RESPECTIVELY.

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

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

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

PRELIMINARY OFFICIAL STATEMENT SUMMARY

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

THE DISTRICT	The Midway Independent School District (the “District”) is a political subdivision located in McLennan County, Texas, adjacent to the city of Waco and includes the cities of Woodway and Hewitt, Texas. The District encompasses approximately 86.79 square miles in area (see “INTRODUCTION – Description of the District”).
THE BONDS	The Bonds are being issued as \$83,500,000* Unlimited Tax School Building Bonds, Series 2026 and will be dated March 18, 2026. The Bonds are being issued as serial bonds maturing August 15 in the years 2026 through 2046 unless the Underwriters elect to aggregate two or more consecutive maturities as “Term Bonds” (defined herein) (see “THE BONDS – Description of the Bonds” and “THE BONDS – Redemption” herein).
PAYMENT OF INTEREST	Interest on the Bonds will accrue from the Date of Initial Delivery and will be initially due on August 15, 2026, and each February 15 and August 15 thereafter until their stated maturities or prior redemption. The Bonds will be issued only in fully registered form in any integral multiple of \$5,000 in principal amount for any one maturity.
AUTHORITY FOR ISSUANCE	The Bonds are being issued by the District pursuant to the Constitution and general laws of the State of Texas, including Section 45.001 and Section 45.003(b)(1), Texas Education Code, as amended (“Chapter 45”), Chapter 1371, Texas Government Code, as amended (the “Act”), an election held on November 4, 2025 (the “Election”), and an order (the “Bond Order”) adopted by the Board of Trustees (the “Board”) of the District on December 16, 2025. As permitted by the Act, the Board, in the Bond Order, authorized certain District representatives to execute a pricing certificate (the “Pricing Certificate”) establishing the terms of sale of the Bonds and finalizing certain characteristics thereof related to final pricing (the Bond Order and Pricing Certificate are collectively referred to as the “Order”) (see “THE BONDS – Authority for Issuance”).
SECURITY FOR THE BONDS	The Bonds constitute direct obligations of the District, secured and payable from a continuing direct annual ad valorem tax levied by the District, without legal limit as to rate or amount, on all taxable property within the District, as provided in the Order. Additionally, the payment of the Bonds is expected to be guaranteed by the corpus of the Permanent School Fund of Texas (see “THE BONDS – Security and Source of Payment” and “APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” herein).
PSF GUARANTEE	The District has applied for and received conditional approval from the Texas Education Agency (the “TEA”) for the Bonds to be guaranteed under the State of Texas Permanent School Fund Guarantee Program, which guarantee will automatically become effective when the Attorney General of Texas approves the Bonds (see “APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” herein).
REDEMPTION	The District reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 2036, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. The Bonds may be subject to mandatory sinking fund redemption in the event the Underwriters elect to aggregate two or more consecutive maturities as “Term Bonds” (see “THE BONDS – Redemption”).
TAX EXEMPTION	In the opinion of McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, Bond Counsel for the District, interest on the Bonds is 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 for certain corporations (see “TAX MATTERS” and “APPENDIX C – Form of Bond Counsel’s Opinion”).

*Preliminary, subject to change.

USE OF PROCEEDS	Proceeds of the Bonds will be used for the purposes of: (i) construction, improvement, expansion, renovation and equipment of school facilities and safety and security enhancements in the District, the purchase of necessary sites for school facilities and the purchase of school buses; (ii) constructing, improving, modernizing and equipping extra/cocurricular facilities in the District, including the installation of LED lighting, security, and technology at such facilities; (iii) acquiring and updating instructional technology equipment; and (iv) paying issuance costs associated with the Bonds.
RATINGS	Moody’s Ratings (“Moody’s”) has rated the Bonds “Aaa” based upon the guarantee thereof by the Permanent School Fund Guarantee of the State of Texas. The District’s underlying rating on the Bonds (without consideration of the Permanent School Fund Guarantee or other credit enhancement) is “Aa2” by Moody’s (see “THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” and “OTHER INFORMATION – Ratings”).
BOOK-ENTRY-ONLY SYSTEM	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof in principal amount, with respect to the Bonds or integral multiples thereof. Principal of the Bonds, and premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar, UMB Bank, N.A., Dallas, Texas, to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see “THE BONDS – Book-Entry-Only System” herein).
PAYMENT RECORD	The District has never defaulted in payment of its tax supported debt.
DATE OF INITIAL DELIVERY	When issued, anticipated on March 18, 2026.
LEGALITY	Delivery of the Bonds 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., San Antonio, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their legal counsel, Winstead PC, San Antonio, Texas.

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**PRELIMINARY OFFICIAL STATEMENT
RELATING TO
\$83,500,000*
MIDWAY INDEPENDENT SCHOOL DISTRICT
(A Political Subdivision of the State of Texas Located in McLennan County)
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2026**

INTRODUCTION

This Official Statement, which includes the Appendices attached hereto, provides certain information regarding the issuance of the \$83,500,000* Midway Independent School District Unlimited Tax School Building Bonds, Series 2026 (the “Bonds”). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the hereinafter defined Bond Order (defined herein), except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Bonds and certain information regarding the Midway Independent School District (the “District” or “Issuer”) and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained upon request from the District’s Financial Advisor, Specialized Public Finance Inc., San Antonio, Texas by electronic mail or upon payment of reasonable copying, handling, and delivery charges.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of the Official Statement will be deposited with the Municipal Securities Rulemaking Board, through its Electronic Municipal Market Access (“EMMA”) system. See “CONTINUING DISCLOSURE OF INFORMATION” for a description of the District’s undertaking to provide certain information on a continuing basis.

DESCRIPTION OF THE DISTRICT . . . The District is a political subdivision of the State of Texas (the “State”) located in McLennan County, Texas. The District is governed by a seven-member Board of Trustees (the “Board”), the members of which serve staggered three-year terms with elections being held in May of each year. Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent who is the chief administrative officer of the District. Support services are supplied by consultants and advisors. The District encompasses a total of approximately 86.79 square miles (see “APPENDIX B – General Information Regarding the District”).

THE BONDS

PURPOSE . . . Proceeds of the Bonds will be used for the purposes of: (i) construction, improvement, expansion, renovation and equipment of school facilities and safety and security enhancements in the District, the purchase of necessary sites for school facilities and the purchase of school buses; (ii) constructing, improving, modernizing and equipping extra/cocurricular facilities in the District, including the installation of LED lighting, security, and technology at such facilities; (iii) acquiring and updating instructional technology equipment; and (iv) paying issuance costs associated with the Bonds.

DESCRIPTION OF THE BONDS . . . The Bonds are dated March 18, 2026, and mature on August 15 in each of the years and in the amounts shown on page 2 hereof. Interest on the Bonds will accrue from the Date of Initial Delivery (as defined on the front cover hereof) and will be initially payable on August 15, 2026, and each February 15 and August 15 thereafter until their stated maturities or prior redemption. The Bonds will mature on the dates, in the principal amounts, and interest will accrue thereon at the rates set forth on page 2 of this Official Statement. Interest on the Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”) pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the Beneficial Owners thereof.** Principal of the Bonds and, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds (see “THE BONDS – Book-Entry-Only System”).

AUTHORITY FOR ISSUANCE . . . The Bonds are being issued by the District pursuant to the Constitution and general laws of the State of Texas, including Section 45.001 and Section 45.003(b)(1), Texas Education Code, as amended (“Chapter 45”), Chapter 1371, Texas Government Code, as amended (the “Act”), an election held on November 4, 2025 (the “Election”), and an order (the “Bond Order”) adopted by the Board of Trustees (the “Board”) of the District on December 16, 2025. As permitted by the Act, the Board, in the Bond Order, authorized certain District representatives to execute a pricing certificate (the “Pricing Certificate”) establishing the terms of sale of the Bonds and finalizing certain characteristics thereof related to final pricing (the Bond Order and Pricing Certificate are collectively referred to as the “Order”).

*Preliminary, subject to change.

SECURITY AND SOURCE OF PAYMENT . . . The Bonds are secured by and payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, sufficient to provide for the payment of principal of and interest on the Bonds. The District has applied for and received conditional approval for the Bonds to be guaranteed by the Texas Permanent School Fund (see “THE BONDS – Permanent School Fund Guarantee” and “APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM”).

PERMANENT SCHOOL FUND GUARANTEE . . . In connection with the sale of the Bonds, the District has applied for and received conditional approval from the Commissioner of Education for guarantee of the Bonds under the Permanent School Fund Guarantee Program (Chapter 45, Subchapter C of the Texas Education Code). Subject to satisfying certain conditions discussed under the heading “APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” the payment of the Bonds will be absolutely and unconditionally guaranteed by the corpus of the Permanent School Fund of the State of Texas. In the event of default by the District in the scheduled payments of the Bonds, registered owners will receive all payments due from the corpus of the Permanent School Fund.

TAX RATE LIMITATION . . . There is not a tax rate limitation on unlimited tax debt; however, in new money issues, the District must demonstrate to the Attorney General of Texas at the time of issuance that it has the ability to pay all debt service on its outstanding unlimited tax debt with a debt service tax not to exceed \$0.50 per \$100 assessed valuation. After the Bonds are issued, the District is required to establish a tax rate, without legal limitation, as to rate or amount, sufficient to pay debt service on all of its outstanding unlimited tax debt (see “TAX RATE LIMITATIONS” herein).

REDEMPTION . . . The District reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 2036, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2035, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. The Bonds may be subject to mandatory sinking fund redemption in the event the Underwriters elect to aggregate two or more consecutive maturities as “Term Bonds.”

If less than all of the Bonds are to be redeemed, the District may select the maturities of Bonds to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (defined below) (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal amount thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to a redemption date for the Bonds, the District shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice.

DTC REDEMPTION PROVISIONS . . . The Paying Agent/Registrar and the District, so long as a book-entry-only system is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Order or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC Participant, or of any Direct Participant (defined below) or Indirect Participant (defined below) to notify the beneficial owner, shall not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the District will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its book-entry-only system, a redemption of such Bonds held for the account of DTC Participants in accordance with its rules or other agreements with DTC Participants and then Direct Participants and Indirect Participants may implement a redemption of such Bonds and such redemption will not be conducted by the District or the Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar will have any responsibility to DTC Participants, Indirect Participants or the persons for whom DTC Participants act as nominees with respect to the payments on the Bonds or the providing of notice to Direct Participants, Indirect Participants, or beneficial owners of the selection of portions of the Bonds for redemption (“THE BONDS – Book-Entry-Only System” herein.)

AMENDMENTS . . . In the Order, the District has reserved the right to amend the Order without the consent of any holder for the purpose of amending or supplementing the Order 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 Order that do not materially adversely affect the interests of the holders, (iv) qualify the Order 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 Order 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 Order further provides that the majority of owners of the Bonds shall have the right from time to time to approve any amendment not described above to the Order 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 Bonds so affected, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Bonds; (ii) reducing the rate of interest borne by any of the outstanding Bonds; (iii) reducing the amount of the principal payable on any outstanding Bonds; (iv) modifying the terms of payment of principal or interest on outstanding Bonds or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Bonds necessary for consent to such amendment. Reference is made to the Order for further provisions relating to the amendment thereof.

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

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

Defeasance will automatically cancel the Permanent School Fund Guarantee with respect to those defeased Bonds (see "APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein).

BOOK-ENTRY-ONLY SYSTEM . . . This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Bonds are registered in its nominee's 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 and the Underwriters believe the source of such information to be reliable but take no responsibility for the accuracy or completeness thereof.

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

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

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

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, who may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed 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 Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the

responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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, Bond certificates will be printed and delivered in accordance with the Bond Order.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but none of the District, the Financial Advisor, or the Underwriters 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 Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Bond Order will be given only to DTC.

EFFECT OF TERMINATION OF BOOK-ENTRY-ONLY SYSTEM . . . In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the District, printed Bond certificates will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Bond Order and summarized under "THE BONDS – Transfer, Exchange and Registration" below.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is UMB Bank, N.A., Dallas, Texas. In the Bond Order, the District retains the right to replace the Paying Agent/Registrar. The District covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, the Bonds will be printed and delivered to the beneficial owners thereof, and thereafter may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar and such transfer or exchange 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, exchange and transfer. A Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bond being transferred or exchanged, at the corporate trust office of the Paying Agent/Registrar (as defined in the Bond Order), or sent by United States mail, first class, postage prepaid, to the new registered owner or its designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount, as the case may be as the Bonds surrendered for exchange or transfer. See "THE BONDS – Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

LIMITATION ON TRANSFER OF BONDS . . . The Paying Agent/Registrar shall not be required to make any transfer or exchange with respect to Bonds 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 with respect to any Bond or any portion thereof called for redemption prior to maturity, within 30 days prior to its redemption date, provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

REPLACEMENT BONDS . . . If any Bond is mutilated, destroyed, stolen or lost, a new Bond in the same principal amount, maturity and interest rate as the Bond so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Bond, such new Bond will be delivered only upon surrender and cancellation of such mutilated Bond. In the case of any Bond issued in lieu of and in substitution for a Bond which has been destroyed, stolen or lost, such new Bond will be delivered only (a) upon filing with the Paying Agent/Registrar of satisfactory evidence to the effect that such Bond has been destroyed, stolen or lost and proof of the ownership thereof, and (b) upon furnishing the District and the Paying Agent/Registrar with indemnity satisfactory to them. The person

requesting the authentication and delivery of a new Bond must pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

RECORD DATE FOR INTEREST PAYMENT . . . The record date (“Record Date”) for determining the party to whom the interest is payable on any interest payment date means the close of business on the last business day of the 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 (“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 holder appearing on the registration 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.

BONDHOLDERS’ REMEDIES . . . If the District defaults in the payment of the principal of, redemption price, or interest due on the Bonds, when due, or the State fails to honor the Permanent School Fund Guarantee as hereinafter discussed, or the District defaults in the performance or observance of any other covenant, agreement or obligation of the District, which default materially and adversely affects the rights of the registered owners, including, but not limited to, their prospect or ability to be repaid in accordance with the Bond Order, in such event, any owner may proceed against the District for the purpose of protecting and enforcing the rights of the owners under the Bond Order, by mandamus or other suit, action or special proceeding in equity or at law, in any court of competent jurisdiction. Such a right is in addition to any other rights the registered owners of the Bonds may be provided by the laws of the State. The issuance of a writ of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Bond Order does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the District to perform in accordance with the terms of the Bond Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in “clear and unambiguous” language. Chapter 1371, which pertains to the issuance of public securities by issuers such as the District, permits the District to waive sovereign immunity in proceedings authorizing its bonds. Notwithstanding its reliance upon the provisions of Chapter 1371, in connection with the issuance of the Bonds, the District has not waived the defense of sovereign immunity with respect thereto. Because it is unclear whether the Texas Legislature has effectively waived the District’s sovereign immunity from a suit for money damages outside of Chapter 1371, bondholders may not be able to bring such a suit against the District for breach of the Bonds or Order covenants in the absence of District action. As a result, bondholders may not be able to bring such a suit against the District for breach of the Bonds or Bond Order covenants in the absence of District action. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District’s property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code (“Chapter 9”). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. See “APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM” herein for a description of the procedures to be followed for payment of the Bonds by the Permanent School Fund in the event the District fails to make a payment on the Bonds when due. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors and by general principles of equity which permit the exercise of judicial discretion.

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SOURCES AND USES OF PROCEEDS . . . The proceeds from the sale of the Bonds will be applied approximately as follows:

Sources of Funds:	
Par Amount	
[Net] Reoffering Premium	
Total Sources of Funds	<u><u>\$ -</u></u>
Uses of Funds:	
Project Fund Deposit	
Underwriters' Discount	
Cost of Issuance/Rounding Amount	
Total Uses of Funds	<u><u>\$ -</u></u>

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

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

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

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

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

Although, as a matter of law, the Bonds, upon issuance and delivery, will be entitled to the protections afforded previously existing contractual obligations under the Contract Clauses, the District can make no representations or predictions concerning the effect of

future legislation, or any litigation that may be associated with such legislation, on the District's financial condition, revenues or operations. While the enactment of future legislation to address school funding in Texas could adversely affect the financial condition, revenues or operations of the District, the District does not anticipate that the security for payment of the Bonds, specifically, the District's obligation to levy an unlimited debt service tax and any Permanent School Fund guarantee of the Bonds would be adversely affected by any such legislation (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM").

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

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

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

During the 89th Regular Session, the Legislature considered a general appropriations act and legislation affecting the Finance System and ad valorem taxation procedures and exemptions, and investments, among other legislation affecting school districts and the administrative agencies that oversee school districts. Pursuant to a Statewide election held on November 4, 2025 and legislation passed by both houses of the Legislature there is an increase in: (1) the State mandated general homestead exemption from \$100,000 to \$140,000, (2) the additional exemption on the residence homesteads of those at least sixty-five (65) years of age or disabled from \$10,000 to \$60,000, and (3) the exemption for tangible personal property used in the production of income from the current \$2,500 to \$125,000. Additionally, the Legislature passed legislation that authorizes roughly \$8.5 billion in funding for public schools and provides districts with a \$55 per-student increase to their base funding beginning September 1, 2025, as well as providing districts with additional funding for teacher and staff salaries, educator preparation, special education, safety requirements and early childhood learning. Finally, legislation passed by the Legislature and signed into law by the Governor will create an education savings account program (commonly referred to as vouchers) for students that attend private schools or home school. The legislation became effective September 1, 2025, when the state fiscal biennium began, though families will not receive ESA funds until the 2026-2027 school year. The amount spent for purposes of the program for the 2025-2027 biennium may not exceed \$1 billion. Beginning on September 1, 2027, the legislation requires the Legislature to re-appropriate funds for the program for each subsequent State fiscal biennium. Such program could impact attendance in the District by incentivizing students to homeschool or attend private schools, which could negatively affect the District's attendance-based funding.

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

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

STATE COMPRESSION PERCENTAGE . . . The State Compression Percentage (the "SCP") is a statutorily-defined percentage of the rate of \$1.00 per \$100 that is used to determine a school district's Maximum Compressed Tax Rate (described below). The SCP is the lesser of three alternative calculations: (1) 93% or a lower percentage set by appropriation for a school year; (2) a percentage determined by formula if the estimated total taxable property value of the State (as submitted annually to the State Legislature by the State Comptroller) has increased by at least 2.5% over the prior year; and (3) the prior year SCP. For any year, the maximum SCP is 93%. For the State fiscal year ending in 2026, the SCP is set at 63.22%.

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

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

If the increase in the residence homestead as proposed by the constitutional amendment does not take effect, beginning on September 1, 2025, and up until September 1, 2029, the Commissioner may adjust school districts' MCRs for the 2025-2026 school year accordingly. Before making an adjustment, the Commissioner shall notify and must receive approval from the Legislative Budget Board and the office of the Governor.

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

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

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

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

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

adopted by the TEA before issuing the bonds to be paid with IFA State assistance. The total amount of debt service assistance over a biennium for which a school district may be awarded is limited to the lesser of (1) the actual debt service payments made by the school district in the biennium in which the bonds are issued; or (2) the greater of (a) \$100,000 or (b) \$250 multiplied by the number of students in ADA. The IFA is also available for lease-purchase agreements and refunding bonds meeting certain prescribed conditions. Once a school district receives an IFA award for bonds, it is entitled to continue receiving State assistance for such bonds without reapplying to the Commissioner. A school district may use additional state aid received from an IFA award only to pay the principal of and interest on the bonds for which the district received the aid. The guaranteed level of State and local funds per student 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 “State Funding For School Districts – Tax Rate and Funding Equity” below.

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

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

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

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

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

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

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

THE SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT

For the 2025-2026 school year, the District was designated as an “excess local revenue” school district under Chapter 49 by TEA. Accordingly, the District has entered into a wealth equalization agreement with the Commissioner for the purchase of attendance credits for the 2025-26 school year for the purpose of implementing a permitted wealth equalization option.

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 Bonds) could be assumed by the district to which the property is annexed, in which case timely payment of the Bonds could become dependent in part on the financial performance of an annexing district.

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

TAX RATE LIMITATIONS

M&O TAX RATE LIMITATIONS . . . The District is authorized to levy an M&O tax rate pursuant to the approval of the voters of the District at an election held on March 31, 1956, pursuant to Article 2784e-1, Texas Revised Civil Statutes Annotated, as amended.

The maximum M&O tax rate per \$100 of taxable value that may be adopted by a school district is the sum of \$0.17 and the school district’s MCR. A school district’s MCR is, generally, inversely proportional to the change in taxable property values both within the school district and the State and is subject to recalculation annually.

For any year, the highest possible MCR for a school district is \$0.93 (see “TAX RATE LIMITATIONS – Public Hearing and Voter-Approval Tax Rate” and “CURRENT PUBLIC SCHOOL FINANCE SYSTEM – Local Funding for School Districts” herein).

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

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

Section 45.0031, Texas Education Code, as amended (“Section 45.0031”), requires a district to demonstrate to the Texas Attorney General that it has the prospective ability to pay its maximum annual debt service on a proposed issue of bonds and all previously issued bonds, other than bonds approved by district voters at an election held on or before April 1, 1991 and issued before September 1, 1992 (or debt issued to refund such bonds, collectively, “exempt bonds”), from a tax levied at a rate of \$0.50 per \$100 of assessed valuation before bonds may be issued. In demonstrating the ability to pay debt service at a rate of \$0.50, a district may take into account EDA and IFA allotments to the district, which effectively reduces the district’s local share of debt service and may also take into account Tier One funds allotted to the district. The District is required to deposit any State allotments provided solely for payment of debt service into the District’s interest and sinking fund upon receipt of such amounts. In addition, the District must, prior to levying an interest and sinking fund tax rate that exceeds \$0.50 per \$100 of assessed valuation, credit to the interest and sinking fund other State assistance, including Tier One funds that may be used for either operating purposes or for payment of debt service, in an amount equal to the amount needed to demonstrate compliance with the threshold tax rate test and which is received or to be received in that year. Once the prospective ability to pay such tax has been shown and the bonds are issued, a district may levy an unlimited tax to pay debt service. Taxes levied to pay refunding bonds issued pursuant to Chapter 1207, Texas Government Code, are not subject to the \$0.50 tax rate test; however, taxes levied to pay debt service on such bonds (other than bonds issued to refund exempt bonds) are included in maximum annual debt service for calculation of the \$0.50 threshold tax rate test when applied to subsequent Bond issues. The Bonds are issued as “new money bonds” and are subject to the \$0.50 threshold tax rate test. Under current law, a district may demonstrate its ability to comply with the \$0.50 threshold tax rate test by applying the \$0.50 tax rate to an amount equal to 90% of projected future taxable value of property in the district, as certified by a registered professional appraiser, anticipated for the earlier of the tax year five years after the current tax year or the tax year in which the final payment for the bonds is due. However, if a district uses projected future taxable values to meet the \$0.50 threshold tax rate 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 district has the projected ability to pay principal and interest on the proposed bonds and all previously issued bonds subject to the \$0.50 threshold tax rate test from a tax rate of \$0.45 per \$100 of valuation. The District has not used State assistance or projected property values to satisfy this threshold test.

PUBLIC HEARING AND VOTER-APPROVAL TAX RATE . . . A school district’s total tax rate is the combination of the M&O tax rate and the I&S tax rate. Generally, the highest rate at which a school district may levy taxes for any given year without holding an election to approve the tax rate is the “Voter-Approval Tax Rate,” as described below.

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

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

The governing body of a school district generally cannot adopt a tax rate exceeding the school district’s Voter-Approval Tax Rate without approval by a majority of the voters approving the higher rate at an election to be held on the next uniform election date.

Further, subject to certain exceptions for areas declared disaster areas, State law requires the board of trustees of a school district to conduct an efficiency audit before seeking voter approval to adopt a tax rate exceeding the Voter-Approval Tax Rate and sets certain parameters for conducting and disclosing the results of such efficiency audit. An election is not required for a tax increase to address increased expenditures resulting from certain natural disasters in the year following the year in which such disaster occurs; however, the amount by which the increased tax rate exceeds the school district's Voter-Approval Tax Rate for such year may not be considered by the school district in the calculation of its subsequent Voter-Approval Tax Rate.

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

Before adopting its annual tax rate, a public meeting must be held for the purpose of adopting a budget for the succeeding year. A notice of public meeting to discuss the school district's budget and proposed tax rate must be published in the time, format and manner prescribed in Section 44.004 of the Texas Education Code. Section 44.004(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.

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

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

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

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

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified as both agricultural and open-space land. The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the District, in establishing their tax rolls and tax rates (see "AD VALOREM TAX PROCEDURES – District and Taxpayer Remedies").

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

LOCAL OPTION HOMESTEAD EXEMPTIONS . . . The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than \$5,000) and (2) an additional exemption of at least \$3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit. Cities, counties, and school districts are prohibited from repealing or reducing an optional homestead exemption described in clause (1) above that was granted in tax year 2022 through December 31, 2027. 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. Pursuant to voter approval at a Statewide election held on November 4, 2025, legislation passed by the Legislature and signed by the Governor during the 89th Regular Session will provide a person to an exemption from taxation by a taxing unit of \$125,000 of the appraised value of the tangible personal property the person owns that is held or used for the production of income and has taxable situs at the same location in the taxing unit. A person who leases tangible personal property is also entitled to a tax exemption of \$125,000, regardless of where the property is located in the taxing unit.

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

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

A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property. 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 “District Application of Property Tax Code” 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.

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

Owners of certain property (being (i) commercial real and personal property, (ii) real and personal property of utilities, (iii) industrial and manufacturing real and personal property, and (iv) multifamily residential real property) with a taxable value in excess of the current year “minimum eligibility amount,” as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. 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.

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

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

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

DISTRICT APPLICATION OF TAX CODE . . . The District does grant a State mandated \$140,000 general residence homestead exemption.

The District does grant a State mandated \$60,000 residence homestead exemption for taxpayers who are at least 65 years of age or disabled. A taxpayer who qualifies for both the age 65 or older exemption and the disabled exemption must choose only one of the options to claim.

The District does grant a State mandated residence homestead exemption for disabled veterans ranging from \$5,000 to \$12,000.

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

The McLennan County Tax Assessor/Collectors Office (the “Tax Assessor/Collector”) collects taxes for the District.

The Tax Assessor/Collector does not allow split payments and does not give discounts for the early payment of taxes.

The District does not participate in a tax increment-financing zone.

The District does not grant tax abatements.

The District does not have a goods-in-transit policy in place.

The District does not grant a freeport property exemption.

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

INVESTMENTS

INVESTMENTS . . . The District invests its funds in investments authorized by State 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 of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; (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 Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their respective successors, or otherwise meeting the requirements of the Texas Public Funds Investment Act; (8) certificates of deposit and share certificates that (i) are issued by or through an institution that has its main office or a branch in Texas and (a) are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their respective successors, (b) are secured as to principal by obligations described in clauses (1) through (7) above, or (c) secured in any other manner and amount provided by law for District deposits, or (ii) certificates of deposit where (a) the funds are invested by the District through a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the District as required by law, or a depository institution that has its main office or a branch office in the State of Texas that is selected by the District; (b) the broker or the depository institution selected by the District arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the District, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the District appoints the depository institution selected under (a) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the United States Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 as custodian for the District with respect to the certificates of deposit issued for the account of the District; (9) fully collateralized repurchase agreements that (i) have a defined termination date, (ii) are fully secured by a combination of cash and obligations described in clause (1), (iii) require the securities being purchased by the District or cash held by the District to 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 selected and approved by the District, and (iv) are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (10) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time, and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (7) 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 (7) above and clauses (12) through

(15) below, (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District, (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas, and (iv) the agreement to lend securities has a term of one year or less; (11) certain bankers' acceptances if the bankers' acceptance (i) has a stated maturity of 270 days or fewer from the date of issuance, (ii) will be, in accordance with its terms, liquidated in full at maturity, (iii) is eligible for collateral for borrowing from a Federal Reserve Bank, and (iv) is accepted by a State or Federal bank, if the short-term obligations of the accepting bank or its holding company (if the accepting bank is the largest subsidiary) are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with (i) a stated maturity of 270 days or less from the date of issuance, and (ii) a rating of at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (13) no-load money market mutual funds that are (i) registered with and regulated by the United States Securities and Exchange Commission, (ii) provide the District with a prospectus and other information required by the Securities and Exchange Act of 1934; and (iii) comply with Federal Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are (i) registered with the United States Securities and Exchange Commission, (ii) have an average weighted maturity of less than two years, and (iii) either (a) have a duration of one year or more and are invested exclusively in obligations described in this paragraph, or (b) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities; (15) investment pools if the District has authorized investment in the particular pool and the pool invests solely in investments permitted by the Texas Public Funds Investment Act, and is continuously rated no lower than "AAA" or "AAA-m" or at an equivalent rating by at least one nationally recognized rating service; (16) guaranteed investment contracts that (i) have a defined termination date, (ii) are secured by obligations which meet the requirements of the Texas Public Funds Investment Act in an amount at least equal to the amount of bond proceeds invested under such contract, and (iii) are pledged to the District and deposited with the District or with a third party selected and approved by the District; and (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 also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance, or resolution. 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 date 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.

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, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Public Funds Investment Act. As an integral part of its investment policy, the District is required to adopt a separate written investment strategy for each of the funds under its control. 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.

Under State law, 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, the ending market value and the fully accrued interest during the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) State law. No person may invest District funds without express written authority from the Board.

ADDITIONAL PROVISIONS . . . Under State law, the District is additionally required to: (1) annually review its adopted policies and strategies, (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution, (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the District to disclose the relationship and file a statement with the Texas Ethics Commission and the Board of Trustees; (4) require

the qualified representative of firms offering to engage in an investment transaction with the District to: (a) receive and review the District’s investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the District and the business organization that are not authorized by the District’s investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the District’s entire portfolio, requires an interpretation of subjective investment standards, or relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority), and (c) deliver a written statement in a form acceptable to the District and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the District’s investment policy; (6) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the District’s monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the District.

As a school district that qualifies as an “issuer” under Chapter 1371, the District is also authorized to purchase, sell, and invest its funds in corporate bonds. State law defines “corporate bonds” as senior secured debt obligations issued by a domestic business entity and rated not lower than “AA-” or the equivalent by a nationally recognized investment rating firm. The term does not include a bond that is convertible into stocks or shares in the entity issuing the bond (or an affiliate or subsidiary thereof) or any unsecured debt. Corporate bonds must finally mature not later than 3 years from their date of purchase by the school district. A school district may not (1) invest more than 15% of its monthly average fund balance (excluding bond proceeds, reserves, and other funds held for the payment of debt service) in corporate bonds; or (2) invest more than 25% of the funds invested in corporate bonds in any one domestic business entity (including subsidiaries and affiliates thereof). Corporate bonds held by a school district must be sold if they are at any time downgraded below “AA-” (or the equivalent thereof) or, with respect to a corporate bond rated “AA-” (or the equivalent thereof), such corporate bond is placed on negative credit watch. Corporate bonds are not an eligible investment for a public funds investment pool. To invest in corporate bonds, an eligible school district must first (i) amend its investment policy to authorize corporate bonds as an eligible investment, (ii) adopt procedures for monitoring rating changes in corporate bonds and liquidating an investment in corporate bonds, and (iii) identify funds eligible to be invested in corporate bonds. As of the date of this Official Statement, the District has not taken the steps necessary to allow for investing in corporate bonds or made investments in that type of instrument.

CURRENT INVESTMENTS (UNAUDITED)

TABLE 1

As of September 30, 2025, the District’s investable funds were invested in the following:

Type of Investment	Amount
Lone Star Investment Pool	\$ 55,540,523
Certificates of Deposit	3,081,231
Total	58,621,754
Plus: Depository Cash	4,022,866
Total Cash and Investments	\$ 62,644,620

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TAX MATTERS

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

In rendering its opinion, Bond Counsel will rely upon (a) the District’s federal tax certificate (b) covenants of the District with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters and (c) the certificate with respect to arbitrage by the Commissioner of Education regarding the allocation and investment of certain investments in the Permanent School Fund. Failure by the District to observe the aforementioned representations or covenants could cause the interest on the Bonds to become 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 Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the District with the covenants and requirements described in the preceding paragraph, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

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

A ruling was not sought from the Internal Revenue Service (the “IRS”) by the District with respect to the Bonds or the property financed or refinanced with proceeds of the Bonds. No assurances can be given as to whether the IRS will commence an audit of the Bonds, or as to whether the IRS would agree with the opinion of Bond Counsel. If an IRS audit is commenced, under current procedures the IRS is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

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

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

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

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

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

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

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

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

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

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

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

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

INFORMATION REPORTING AND BACKUP WITHHOLDING . . . Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the IRS. Payments of interest and principal may be subject to or 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.

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

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (“MSRB”). For a description of the continuing disclosure obligations of the TEA, see “APPENDIX D – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM.”

ANNUAL REPORTS . . . The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement in APPENDIX A (Tables 1-10 and 12-15) and in APPENDIX D, which is the District’s annual audited financial report. The District will update and provide the information in APPENDIX A within twelve months after the end of each fiscal year ending in and after 2026 and, if not submitted as part of such annual financial information, the District will provide audited financial statements when and if available, and in any event, within 12 months after the end of each fiscal year. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the District will file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX D or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation.

The District’s current fiscal year end is June 30. Accordingly, it must make available updated financial and operating data and financial statements by June 30 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. The District will provide the updated information to the MSRB in an electronic format, which will be available to the general public without charge via the MSRB’s Electronic Municipal Market Access (“EMMA”) system at www.emma.msrb.org.

NOTICE OF CERTAIN EVENTS . . . The District also will provide timely notices of certain events to the MSRB. The District will provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten (10) 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 or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) the appointment of a successor or additional paying agent/registrar or change of name of the paying agent/registrar, if material; (15) incurrence of a Financial Obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties. Neither the Bonds nor the Bond Order make any provision for a debt service reserve fund, credit enhancement (except with respect to the Permanent School Guarantee Fund), funding a debt service reserve, or a trustee. In the Order, the District adopted policies and procedures to ensure timely compliance with continuing disclosure undertakings. 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.”

For these purposes, (a) any event described in clause (12) of 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 the state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District, and (b) the District intends the words used in the immediately preceding clauses (15) and (16) and the definition of Financial Obligation above to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

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

LIMITATIONS AND AMENDMENTS . . . The District has agreed to update information and to provide notices of 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 Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the registered owners of the Bonds. The District may also amend or repeal the provisions of its continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the SEC Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of the SEC Rule 15c2-12 are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the District so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

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

LEGAL MATTERS

LEGAL OPINIONS AND NO-LITIGATION CERTIFICATE . . . The District will furnish the Underwriters with a complete transcript of proceedings incident to the authorization and issuance of the Bonds being purchased, including the unqualified approving legal opinion of the Attorney General of Texas to the effect that such Bonds are valid and legally binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, without limit as to rate or amount, upon all taxable property in the District, and the legal opinion of McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, Bond Counsel, a copy of the proposed form of which is attached as APPENDIX C. Though it represents investment banking firms such as the Underwriters from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the District in connection with the issuance of the Bonds. McCall, Parkhurst & Horton L.L.P. also advises the TEA in connection with its disclosure obligations under federal securities laws, but such firm has not passed upon any TEA disclosures contained in the Official Statement. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information (other than any financial, technical, or statistical data therein) in this Official Statement appearing under the captions and subcaptions “THE BONDS” (excluding the information under the subcaption “Permanent School Fund Guarantee,” “DTC Redemption Provisions,” “Book-Entry-Only-System,” “Sources and Uses of Proceeds,” and “Bondholders’ Remedies” as to which no opinion is expressed), “STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS,” “CURRENT PUBLIC SCHOOL FINANCE SYSTEM,” “THE SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT,” “TAX RATE LIMITATIONS” (first paragraph only), “CONTINUING DISCLOSURE OF INFORMATION” (except under the subcaption “Compliance with Prior Undertakings,” as to which no opinion is expressed), “OTHER INFORMATION – Registration and Qualification of Bonds for Sale,” “OTHER INFORMATION – Legal Investments and Eligibility to Secure Public Funds in Texas,” and “OTHER INFORMATION – Legal Matters” (excluding the last sentence of the first paragraph, as to which no opinion is expressed) and such firm is of the opinion that the information contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Bond Order. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. The legal opinion will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by their counsel, Winstead PC, San Antonio, Texas, whose legal fees are contingent upon the delivery of the Bonds.

The legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of 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.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS . . . Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments, investment securities 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 Bonds 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 Bonds be assigned a rating of at least “A” or its equivalent as to investment quality by a national rating agency. See “OTHER INFORMATION – Ratings” herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Bonds 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. No review by the District has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

OTHER INFORMATION

RATINGS . . . Moody’s Ratings (“Moody’s”) has rated the Bonds “Aaa” based upon the Permanent School Fund Guarantee. The District’s underlying rating on the Bonds (without consideration of the Permanent School Fund Guarantee or other credit enhancement) is “Aa2” by Moody’s. See “THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM.” An explanation of the significance of such a rating may be obtained from Moody’s. The rating reflects only the view of Moody’s, and the District makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely, if in the judgment of Moody’s circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds. A securities rating is not a recommendation to buy, sell, or hold securities and may be subject to revision or withdrawal at any time.

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

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

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

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE . . . The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any other jurisdiction. The District assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

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

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

FINANCIAL ADVISOR . . . Specialized Public Finance Inc. is employed as Financial Advisor to the District in connection with the issuance of the Bonds. The Financial Advisor’s fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Specialized Public Finance Inc., in its capacity as Financial Advisor, has not verified and does

not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the District 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.

UNDERWRITING . . . The Underwriters have agreed, subject to certain conditions, to purchase the Bonds from the District, at a price equal to the initial offering prices to the public, as shown on page 2 of this Official Statement, less an underwriting discount of \$ _____, and no accrued interest. The Underwriters will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriters.

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

The Underwriters of the Bonds, and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Under certain circumstances, the Underwriters and their affiliates may have certain creditors and/or other rights against the District and its affiliates in connection with such activities. In the course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the District (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the District. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to the clients that they should acquire, long and/or short positions in such assets, securities and instruments.

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

FORWARD-LOOKING STATEMENTS DISCLAIMER . . . The statements contained in this Official Statement, and in any other information provided by the District, which 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. The District’s actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included 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 will prove to be accurate.

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

In the Bond Order, the Board authorized (i) the District representative in the Pricing Certificate to approve, for and on behalf of the District, the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and (ii) its further use in the public offering and sale of the Bonds by the Underwriters.

/s/

Pricing Officer

Midway Independent School District

APPENDIX A

FINANCIAL INFORMATION OF THE ISSUER

ASSESSED VALUATION**TABLE 1**

2025 Total Appraised Value	\$ 11,531,727,488
Less:	
Homestead Exemption Loss	\$ 1,305,249,654
Over-65/Surviving Spouse Exemption Loss	55,122,589
Disabled Person/Surviving Spouse Exemption	1,675,000
Disaster Damage State Exemption	-
Disabled Veteran/Surviving Spouse Exemption	6,901,610
Disabled Veteran/Surviving Spouse Homestead Exemption	191,846,874
Pollution Control Exemption Loss	22,760,383
First Responder Surviving Spouse Exemption	1,132,856
Member Armed Services Surviving Spouse Exemption	372,461
Miscellaneous	252,181,053
Productivity Loss	172,486,622
Homestead Cap	169,163,992
Net Taxable Assessed Valuation	\$ 9,352,834,394

Note: The above figures were taken from the McLennan County Appraisal District which is compiled during the initial phase of the tax year and are subject to change.

GENERAL OBLIGATION BONDED DEBT**TABLE 2**

(As of January 1, 2026)

General Obligation Debt Outstanding:

Unlimited Tax Refunding Bonds, Series 2015	\$ 2,310,000
Unlimited Tax Refunding Bonds, Series 2017	4,160,000
Unlimited Tax Refunding Bonds, Series 2018	225,000
Unlimited Tax School Building Bonds, Series 2020	117,560,000
Unlimited Tax Refunding Bonds, Taxable Series 2020	9,395,000
Unlimited Tax Refunding Bonds, Series 2021	12,500,000
The Bonds	83,500,000 ⁽¹⁾
Total General Obligation Debt	\$ 229,650,000 ⁽¹⁾

General Obligation Interest and Sinking Fund Balance as of January 1, 2026 \$ 17,617,305 ⁽²⁾

2025 Net Taxable Assessed Valuation \$ 9,352,834,394

Ratio of Total General Obligation Debt to 2025 Net Taxable Assessed Valuation ⁽¹⁾ 2.46%

Area of District:	87 Square Miles
Estimated Population:	51,581 in Year 2026
Per Capita 2025 Net Taxable Assessed Valuation:	\$ 181,323
Per Capita General Obligation Debt:	\$ 4,452

⁽¹⁾ Preliminary, subject to change.

⁽²⁾ Unaudited.

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

TABLE 3

Year Ending 12/31 ⁽¹⁾	Current Total Debt Service	The Bonds ⁽²⁾			Combined Debt Service
		Principal	Interest	Total	
2026	\$ 17,050,247	\$ 580,000	\$ 1,704,792	\$ 2,284,792	\$ 19,335,038
2027	14,462,247	2,525,000	4,146,000	6,671,000	21,133,247
2028	13,530,247	1,950,000	4,019,750	5,969,750	19,499,997
2029	13,501,255	2,080,000	3,922,250	6,002,250	19,503,505
2030	13,625,488	2,055,000	3,818,250	5,873,250	19,498,738
2031	11,989,975	3,335,000	3,715,500	7,050,500	19,040,475
2032	11,229,350	3,505,000	3,548,750	7,053,750	18,283,100
2033	13,689,350	1,220,000	3,373,500	4,593,500	18,282,850
2034	11,184,900	3,740,000	3,312,500	7,052,500	18,237,400
2035	11,188,100	3,925,000	3,125,500	7,050,500	18,238,600
2036	11,186,900	4,125,000	2,929,250	7,054,250	18,241,150
2037	11,187,400	4,330,000	2,723,000	7,053,000	18,240,400
2038	11,184,200	4,545,000	2,506,500	7,051,500	18,235,700
2039	11,187,150	4,775,000	2,279,250	7,054,250	18,241,400
2040	11,185,800	5,010,000	2,040,500	7,050,500	18,236,300
2041	-	5,265,000	1,790,000	7,055,000	7,055,000
2042	-	5,525,000	1,526,750	7,051,750	7,051,750
2043	-	5,800,000	1,250,500	7,050,500	7,050,500
2044	-	6,095,000	960,500	7,055,500	7,055,500
2045	-	6,395,000	655,750	7,050,750	7,050,750
2046	-	6,720,000	336,000	7,056,000	7,056,000
	<u>\$ 187,382,607</u>	<u>\$ 83,500,000</u>	<u>\$ 53,684,792</u>	<u>\$ 137,184,792</u>	<u>\$ 324,567,398</u>

⁽¹⁾ Due to the timing of tax collection receipts, the District budgets for debt payments on a calendar year basis.

⁽²⁾ Interest calculated at an assumed rate for purposes of illustration. Preliminary, subject to change.

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TAX ADEQUACY**TABLE 4**

Net Taxable Assessed Valuation		\$ 9,352,834,394
Estimated Maximum Annual Debt Service Requirements for Fiscal Year Ending:	12/31/2027	\$ 21,133,247 ⁽¹⁾
Less: Existing Debt Allotment		-
Less: Instructional Facilities Allotment		-
Less: Additional State Aid Homestead Exemption		(1,918,554)
Net Debt Service Requirement		\$ 19,214,693 ⁽¹⁾
Indicated Interest and Sinking Fund Tax Rate		\$ 0.2097
Indicated Interest and Sinking Fund Tax Levy at the following Collections:	98%	\$ 19,220,636

Note: See "Tax Data" herein.

⁽¹⁾ Includes the Bonds. Preliminary, subject to change.

INTEREST AND SINKING FUND MANAGEMENT INDEX**TABLE 5**

General Obligation Interest and Sinking Fund Balance as of June 30, 2025	\$ 24,646,681
2025 Interest and Sinking Fund Tax Levy at 98% Collections Produce	21,997,866
Plus: Existing Debt Allotment	-
Plus: Additional State Aid for Homestead Exemption	1,918,554
Total Available for Debt Service	\$ 48,563,101
Less: General Obligation Debt Service Requirements, Fiscal Year Ending June 30, 2026	17,132,297 ⁽¹⁾
Estimated Balance at Fiscal Year Ended June 30, 2026	\$ 31,430,804

⁽¹⁾ Includes the Bonds. Preliminary, subject to change.

**DEBT OBLIGATIONS -
CAPITAL LEASE AND NOTES PAYABLE****TABLE 6**

<i>Governmental Activities</i>	<i>Issue Amount</i>	<i>Maturity</i>	<i>Rate</i>	<i>Balance</i>
iPads Master Lease 2024	\$ 4,520,400	2027	0.00%	\$ 2,260,200

Note: The above information was taken from the Issuer's 2025 Annual Financial Report.

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TAXABLE ASSESSED VALUATION FOR TAX YEARS 2021-2025

TABLE 7

Tax Year	Net Taxable Assessed Valuation	Change From Preceding Year	
		Amount (\$)	Percent
2021	\$ 6,627,898,473	\$ 595,354,148	9.87%
2022	7,569,393,416	941,494,943	14.21%
2023	8,556,393,460	987,000,044	13.04%
2024	9,024,551,895	468,158,435	5.47%
2025	9,352,834,394	328,282,499	3.64%

The above figures were taken from the McLennan County Appraisal District.

PRINCIPAL TAXPAYERS

TABLE 8

Name	2025 Net	% of Total
	Taxable Assessed Valuation	2025 Assessed Valuation
Amazon.com Services Inc.	\$ 378,610,980	4.05%
Graphic Packaging Int'l LLC	266,040,490	2.84%
Caterpillar Logistics Inc.	221,225,170	2.37%
Mars Chocolate North America LLC	150,939,980	1.61%
USRE Diana LLC	144,113,280	1.54%
Refresco Beverages US Inc.	138,441,760	1.48%
Envases Group	136,773,100	1.46%
Lehigh White Cement Co LLC	66,801,830	0.71%
Huck International Inc.	64,916,810	0.69%
Oncor Electric Delivery Co LLC	51,155,110	0.55%
Total (17.31% of 2025 Net Taxable Assessed Valuation)	\$ 1,619,018,510	17.31% ⁽¹⁾

Note: The above figures were taken from the McLennan County Appraisal District.

⁽¹⁾ As shown in the table above, the total combined top ten taxpayers in the District currently account for over 17% of the District's tax base. Any adverse development related to these taxpayers affecting their ability to continue to conduct business at their respective locations within the District's boundaries may result in significantly less local tax revenue, thereby severely affecting the District's finances and its ability to repay its outstanding indebtedness. Accordingly, the District makes no representation regarding the continued valuation of any of the property listed in the above table or the generation of future tax revenues therefrom. If any major taxpayer (or a combination of taxpayers) were to default in the payment of taxes due to economic conditions resulting difficulty, the ability of the District to timely pay debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax lien (which, in the event of bankruptcy, certain laws may preclude until the automatic stay is lifted). Such process is time-consuming and can only occur annually; in the alternative, the District may sell tax anticipation notes until such amounts could be collected, if ever.

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CLASSIFICATION OF ASSESSED VALUATION

TABLE 9

Category	2025	% of Total	2024	% of Total	2023	% of Total
Real, Residential, Single-Family	\$ 6,050,006,626	52.46%	\$ 6,131,441,223	53.84%	\$ 5,907,195,150	54.75%
Real, Residential, Multi-Family	441,174,600	3.83%	427,403,477	3.75%	417,240,951	3.87%
Vacant Lots/Tracts & Colonia Lots/Tracts	120,801,435	1.05%	113,264,227	0.99%	111,684,590	1.04%
Qualified Open-Space Land	178,325,963	1.55%	177,648,605	1.56%	173,604,756	1.61%
Real, Farm & Ranch Improvements	5,585,452	0.05%	5,686,243	0.05%	5,679,698	0.05%
Real, Rural Land Non Qualified	148,698,741	1.29%	148,767,017	1.31%	148,309,338	1.37%
Real, Commercial	1,185,810,517	10.28%	1,205,152,792	10.58%	1,195,508,219	11.08%
Real, Industrial	896,940,278	7.78%	622,410,388	5.47%	571,960,998	5.30%
Real, Minerals Oil and Gas	7,999	0.00%	4,248	0.00%	1,105	0.00%
Real & Tangible, Personal Utilities	141,063,518	1.22%	129,409,850	1.14%	129,485,790	1.20%
Tangible Personal, Commercial	759,666,669	6.59%	702,758,268	6.17%	681,275,110	6.31%
Tangible Personal, Industrial	1,540,137,470	13.36%	1,660,463,390	14.58%	1,383,371,420	12.82%
Tangible Personal, Mobile Homes	4,065,242	0.04%	3,769,699	0.03%	3,533,032	0.03%
Residential Inventory	33,583,458	0.29%	32,412,873	0.28%	32,986,657	0.31%
Special Inventory	25,859,520	0.22%	28,223,200	0.25%	27,566,040	0.26%
Total Appraised Value	\$ 11,531,727,488	100.00%	\$ 11,388,815,500	100.00%	\$ 10,789,402,854	100.00%
Less:						
Homestead Exemption Loss	\$ 1,305,249,654		\$ 1,286,600,366		\$ 1,237,548,071	
Over-65/Exemption Loss	55,122,589		53,354,268		51,188,342	
Disability/Disabled Surviving Spouse Exemption	1,675,000		1,952,196		1,985,000	
Disaster Damage State Exemption	-		-		-	
Disabled Veterans/Surviving Spouse Exemption	6,901,610		6,848,680		6,672,870	
Disabled Veterans/Surviving Spouse Homestead Exemption	191,846,874		173,790,312		140,086,958	
Pollution Control Exemption Loss	22,760,383		2,019,244		4,670,383	
First Responder/Surviving Spouse Exemption	1,132,856		457,717		925,241	
Member Armed Services Surviving Spouse Exemption	372,461		329,510		328,715	
Miscellaneous	252,181,053		265,669,170		-	
Productivity Loss	172,486,622		171,838,807		167,889,226	
Homestead Cap	169,163,992		401,403,335		621,714,588	
Net Taxable Assessed Valuation	\$ 9,352,834,394		\$ 9,024,551,895		\$ 8,556,393,460	

Note: The above figures were taken from the McLennan County Appraisal District which is compiled during the initial phase of the tax year and are subject to change.

TAX DATA

TABLE 10

Taxes are due October 1 and become delinquent after January 31. Split payments are not allowed. Discounts are not allowed. Penalties and Interest: (a) a delinquent tax incurs a penalty of six percent of the amount of the tax for the first calendar month it is delinquent plus one percent 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. However, a tax delinquent on July 1 incurs a total penalty of twelve percent of the amount of the delinquent tax without regard to the number of months the tax has been delinquent; (b) a delinquent tax accrues interest at a rate of one percent for each month or portion of a month the tax remains unpaid; and an additional penalty up to a maximum of up to 20% of taxes, penalty and interest may be imposed to defray costs of collection for taxes delinquent after July 1. All percentage of collections set forth below exclude penalties and interest.

Tax Year	Net Taxable Assessed Valuation	Tax Rate	Tax Levy	% Collections		Year Ended
				Current	Total	
2021	\$ 6,528,915,115	\$ 1.1690	\$ 73,221,617	99.64%	99.92%	8/31/2022
2022	7,569,393,416	1.1246	82,492,357	99.47%	99.58%	8/31/2023
2023	8,556,393,460	0.9392	76,322,962	99.25%	99.40%	6/30/2024
2024	9,024,551,895	0.9369	77,565,559	98.84%	100.02%	6/30/2025
2025	9,352,834,394	0.9369	87,626,705	In Process of Collection		6/30/2026

Note: The above figures were taken from the Municipal Advisory Council of Texas, Texas Municipal Reports, the Issuer's 2025 Annual Financial Report and the McLennan County Appraisal District.

OVERLAPPING DEBT DATA AND INFORMATION
TABLE 11

(As of December 31, 2025)

The following table indicates the indebtedness, defined as outstanding bonds payable from ad valorem taxes, of governmental entities overlapping the District and the estimated percentages and amounts of such indebtedness attributable to property within the District. Expenditures of the various taxing bodies overlapping the territory of the Issuer are paid out of ad valorem taxes levied by these taxing bodies on properties overlapping the Issuer. These political taxing bodies are independent of the Issuer and may incur borrowings to finance their expenditures.

The following statements of direct and estimated overlapping ad valorem bonds were developed from information contained in the "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the Issuer, the Issuer has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete.

Furthermore, certain of the entities below may have authorized or issued additional bonds since the date stated below, and such entities may have programs requiring the authorization and/or issuance of substantial amounts of additional bonds, the amount of which cannot be determined.

Taxing Body	Gross Debt	% Overlapping	Amount Overlapping
Hewitt, City of	\$ 51,765,000	94.50%	\$ 48,917,925
McGregor, City of	34,944,548	3.74%	1,306,926
McLennan County	108,375,000	28.45%	30,832,688
McLennan County Junior College District	34,020,000	28.45%	9,678,690
Robinson, City of	76,225,000	9.28%	7,073,680
Waco, City of	1,055,535,000	28.78%	303,782,973
Woodway, City of	25,740,000	91.67%	23,595,858
Total Gross Overlapping Debt			\$ 425,188,740
Midway Independent School District	\$ 229,650,000 ⁽¹⁾	100.00%	229,650,000 ⁽¹⁾
Total Direct and Overlapping Debt			\$ 654,838,740 ⁽¹⁾
Ratio of Direct and Overlapping Debt to the 2025 Assessed Valuation			7.00% ⁽¹⁾
Per Capita Direct and Overlapping Debt			\$ 12,695 ⁽¹⁾

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas.

⁽¹⁾ Includes the Bonds. Preliminary, subject to change.

TAX RATE DISTRIBUTION
TABLE 12

Tax Year	2025	2024	2023	2022	2021
General Fund	\$ 0.6969	\$ 0.6969	\$ 0.6992	\$ 0.8546	\$ 0.8990
I & S Fund	0.2400	0.2400	0.2400	0.2700	0.2700
Total Tax Rate	\$ 0.9369	\$ 0.9369	\$ 0.9392	\$ 1.1246	\$ 1.1690

Note: The above information was taken from the Issuer's 2025 Annual Financial Report and the McLennan County Appraisal

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**GENERAL FUND COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES
AND ANALYSIS OF CHANGES IN FUND BALANCES**

TABLE 13

	Fiscal Year Ended				
	6/30/2025	6/30/2024	8/31/2023	8/31/2022	8/31/2021
Revenues:					
Total Local and Intermediate Sources	\$ 61,110,641	\$ 57,395,817	\$ 66,049,196	\$ 57,927,153	\$ 57,270,093
State Program Revenues	30,550,252	28,586,460	15,692,600	16,212,921	17,450,502
Federal Program Revenues	624,188	692,960	1,000,409	1,377,560	1,002,502
Total Revenues	<u>\$ 92,285,081</u>	<u>\$ 86,675,237</u>	<u>\$ 82,742,205</u>	<u>\$ 75,517,634</u>	<u>\$ 75,723,097</u>
Expenditures:					
Instruction	52,773,484	49,229,801	48,387,720	44,401,918	42,790,309
Instruction Resources & Media Services	971,449	818,415	881,720	777,696	780,500
Curriculum & Staff Development	1,377,786	1,062,539	1,227,416	1,294,805	1,191,553
Instructional Leadership	2,496,885	1,957,798	1,938,891	1,647,858	1,614,060
School Leadership	4,893,001	4,260,886	4,726,378	4,486,600	4,098,250
Guidance, Counseling & Evaluation Services	3,439,035	3,226,201	3,509,788	3,209,431	3,110,004
Social Work Services	195,267	170,009	142,183	157,186	165,880
Health Services	960,862	868,107	925,678	903,943	888,693
Student (Pupil) Transportation	4,561,070	3,653,503	3,557,126	2,808,650	2,128,902
Extracurricular Activities	2,783,258	2,621,768	2,571,621	2,241,357	2,190,400
General Administration	3,679,439	3,046,750	3,520,982	3,463,767	3,186,990
Facilities Maintenance and Operations	10,305,400	8,199,513	8,768,855	7,546,061	7,455,084
Security and Monitoring Services	1,032,340	1,103,266	647,945	512,766	503,688
Data Processing Services	1,190,609	1,249,776	1,368,464	1,084,649	981,204
Community Services	61,335	71,204	90,461	163,406	89,208
Capital Outlay	613,278	-	20,613	1,696,134	612,320
Contracted Instructional Services Between Schools	-	-	-	-	-
Other Intergovernmental Charges	725,836	677,487	655,522	595,454	581,873
Total Expenditures	<u>\$ 92,060,334</u>	<u>\$ 82,217,023</u>	<u>\$ 82,941,363</u>	<u>\$ 76,991,681</u>	<u>\$ 72,368,918</u>
Excess (Deficiency) of Revenues	\$ 224,747	\$ 4,458,214	\$ (199,158)	\$ (1,474,047)	\$ 3,354,179
Other Financing Sources (Uses):					
Transfers In	\$ 20,705	\$ 1,015,083	\$ -	\$ -	\$ -
Transfers Out	-	-	-	-	-
Extraordinary Item	-	-	-	-	-
Total Other Financing Sources (Uses):	<u>\$ 20,705</u>	<u>\$ 1,015,083</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Change in Fund Balances	\$ 245,452	\$ 5,473,297	\$ (199,158)	\$ (1,474,047)	\$ 3,354,179
Fund Balance (Beginning)	29,383,627	23,910,330	24,109,488	25,583,535	22,229,356
Fund Balance (Ending) ⁽¹⁾	<u>\$ 29,629,079</u>	<u>\$ 29,383,627</u>	<u>\$ 23,910,330</u>	<u>\$ 24,109,488</u>	<u>\$ 25,583,535</u>

Note: The above information was taken from the Issuer's Annual Reports dated August 31, 2021-2023 and June 30, 2024-2025.

*The Issuer changed its fiscal year end to June 30 beginning in 2024. The 2024 Audit covered from September 1, 2023 to June 30, 2024.

⁽¹⁾ For the 2025-2026 Fiscal Year, the District adopted a deficit budget of \$3,500,000.

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS OF THE DISTRICT

TABLE 14

	Date of	Amount	Amount	Amount
	Authorization	Authorized	Previously Issued	to be Issued ⁽¹⁾
				Unissued
School Building & Technology	11/4/2025	\$ 83,500,000	\$ -	\$ 83,500,000
				\$ -

⁽¹⁾ Includes the Bonds and [net] premium to be used against the voted authorization. Preliminary, subject to change.

CHANGE IN NET POSITION

TABLE 15

	Fiscal Year Ended				
	6/30/2025	6/30/2024	8/31/2023	8/31/2022	8/31/2021
Revenues:					
Program Revenues:					
Charges for Services	\$ 2,429,701	\$ 2,946,237	\$ 2,516,992	\$ 1,777,574	\$ 1,454,308
Operating Grants and Contributions	13,774,357	14,296,930	14,055,848	11,332,840	16,212,477
General Revenues:					
Maintenance and Operations Taxes	58,052,402	54,500,406	19,829,555	56,413,481	55,953,856
Debt Service Taxes	19,997,537	18,688,531	11,137,238	17,031,536	15,635,764
State Aid-Formula Grants	25,299,205	23,811,427	3,428,269	12,231,938	13,327,263
Investment Earnings	2,818,414	2,915,551	6,833,810	1,015,975	1,072,435
Miscellaneous Local and Intermediate	379,547	1,519,765	683,381	316,198	622,627
Total Revenues	\$ 122,751,163	\$ 118,678,847	\$ 58,485,093	\$ 100,119,542	\$ 104,278,730
Expenditures:					
Instruction	\$ 61,032,009	\$ 59,984,654	\$ 73,813,067	\$ 29,854,741	\$ 53,829,719
Instruction Resources & Media Services	1,165,233	1,006,247	1,038,721	878,831	948,795
Curriculum & Staff Development	1,385,992	1,104,760	1,310,307	1,263,198	1,266,390
Instructional Leadership	3,180,426	2,457,964	2,327,756	1,841,205	2,087,303
School Leadership	4,849,967	4,357,702	4,613,552	4,165,456	4,304,701
Guidance, Counseling & Evaluation Services	3,489,348	3,403,166	3,492,751	3,062,287	3,302,181
Social Work Services	224,510	206,284	239,355	174,999	169,166
Data Processing Services	1,264,305	1,372,414	1,469,633	1,112,845	1,087,907
Community Services	192,279	219,957	210,855	280,973	149,529
Health Services	967,848	916,398	898,812	862,875	925,763
Student (Pupil) Transportation	4,918,725	4,215,267	3,990,988	3,042,897	2,391,328
Food Services	5,159,803	4,571,731	4,549,938	3,763,137	3,665,186
Co-Curricular/Extracurricular Activities	5,456,682	5,113,848	5,312,631	3,989,287	3,580,332
General Administration	3,731,825	3,178,890	3,526,675	3,412,019	3,350,974
Plant Maintenance and Operations	12,040,379	8,781,809	10,402,712	7,705,852	8,023,916
Security and Monitoring Services	1,564,578	2,078,585	685,869	519,490	539,701
Debt Service - Interest on Long-Term Debt	4,836,665	3,536,952	5,385,478	5,888,119	8,017,586
Debt Service - Bond Issuance Costs and Fees	248,685	222,882	147,804	2,600	419,484
Contracted Instructional Services Between Schools	-	-	-	-	-
Midway Employee Pre-K	601,225	407,471	779,728	713,158	-
PEP Fund	-	-	-	-	633,285
Other Intergovernmental Charges	725,836	677,487	655,522	595,454	581,873
Total Expenditures	\$ 117,036,320	\$ 107,814,468	\$ 124,852,154	\$ 73,129,423	\$ 99,275,119
Extraordinary Items	\$ -	\$ -	\$ -	\$ -	\$ -
Increase in Net Position	\$ 5,714,843	\$ 10,864,379	\$ (9,630,027)	\$ 26,990,119	\$ 5,003,611
Net Position, Beginning	\$ 53,571,899 ⁽¹⁾	\$ 47,609,014	\$ 57,239,041	\$ 30,248,922	\$ 25,245,311
Prior Period Adjustment	-	-	-	-	-
Net Position, Ending	\$ 59,286,742	\$ 58,473,393	\$ 47,609,014	\$ 57,239,041	\$ 30,248,922

Note: The above information was taken from the Issuer's Annual Reports dated August 31, 2021-2023 and June 30, 2024-2025.

*The Issuer changed its fiscal year end to June 30 beginning in 2024. The 2024 Audit covered from September 1, 2023 to June 30, 2024.

⁽¹⁾ Restated.

APPENDIX B

GENERAL INFORMATION REGARDING THE DISTRICT

**GENERAL INFORMATION REGARDING THE DISTRICT,
THE CITIES OF WOODWAY, HEWITT, WACO AND MCGREGOR, AND
MCLENNAN COUNTY, TEXAS**

The District:

The Midway Independent School District (the “District”) is an industrial, residential, and agricultural area located southwest and adjacent to Waco, Texas. The District includes the cities of Woodway and Hewitt. The District’s 2026 estimated population is 51,581.

The Schools:

Historical Enrollment for the District

School Year	Enrollment
2021-22	8,435
2022-23	8,739
2023-24	8,849
2024-25	8,824
2025-2026	8,710

Enrollment and School Facilities

School	Grades	Number of Students
Elementary Schools	Employee Pre-K, K - 5 th	4,028
Middle School	6 th - 8 th	2,030
High School	9 th - 12 th	2,652

Educational status of the teachers is as follows:

Doctorate’s degree	3
Master’s degree	156
Bachelor’s degree	578
Average years of classroom experience per teacher	12

Personnel distribution is as follows:

District Level Administrators	25
Building Level Administrators	30
Instructional Staff	569
Professional Support Staff (Counselors, Librarians, Nurses, Social Workers, Etc.)	137
General Personnel (Secretaries, Aides, Clerks, Bus Drivers, Food Service, Maintenance, Etc.)	<u>423</u>
TOTAL	1,184

Starting teacher salary is \$50,000.

THE CITIES OF WOODWAY, HEWITT, MCGREGOR AND WACO, AND MCLENNAN COUNTY, TEXAS

The City of Woodway. The City of Woodway is a residential suburb of Waco, located on U.S. Highway 84 and Highway 6.

The City of Hewitt. The City of Hewitt is a residential suburb of the City of Waco, located approximately eight miles south of the central business district of Waco. The City of Hewitt has the benefits of country living and the attractions and activities of neighboring Waco.

The City of McGregor. The City of McGregor is a manufacturing and commercial center located 15 miles west of Waco on U.S. Highway 84.

The City of Waco. The City of Waco (the “City”) is the county seat of McLennan County and a major commercial and industrial center of Central Texas. The City is located 90 miles south of Dallas and six highways intersect the City including I-35. The City is the approximate geographic center of the Texas population, being within 100 miles of 24% of the State’s population of almost 15 million people. The central location in the State makes the City commercially attractive as a distribution center for trade goods of all kinds. Lake Waco provides recreational activities for the City. The Texas Ranger Hall of Fame, Texas Sports Hall of Fame and the Dr. Pepper Museum are located in the City.

McLennan County, Texas. McLennan County, Texas (the “County”) was created and organized in 1850. The county is traversed by Interstate Highway 35; U.S. Highways 77 and 84; State Highways 6, 31, and 317; and 29 farm-to-market and park roads. The county economy has experienced a growth trend from new industry, expansions of existing industry, and new commercial investment that is generating service sector and manufacturing jobs. The county seat is Waco.

Economic Base: Mineral: Sand, oil, limestone, gravel and gas. Agricultural: Wheat, hay, dairy, corn and beef cattle.

Industry: Space exploration, education, diversified manufacturing and agribusiness.

Oil & Gas 2024: The County ranks 201 out of all the counties in Texas for oil production.

Oil Production:	<u>Year</u>	<u>Description</u>	<u>Volume</u>	<u>%Change from Previous Year</u>
	2024	Oil	131 BBL	67.95
	2023	Oil	78 BBL	-27-78

Employment Data:	2024		2023		2022	
	<u>Employed</u>	<u>Earnings</u>	<u>Employed</u>	<u>Earnings</u>	<u>Employed</u>	<u>Earnings</u>
1st Quarter:	121,216	\$1.8B	120,890	\$1.7B	118,821	\$1.5B
2nd Quarter:	122,137	\$1.8B	122,200	\$1.7B	119,237	\$1.6B
3rd Quarter:	122,213	\$1.8B	122,943	\$1.7B	120,286	\$1.7B
4th Quarter:	124,331	\$2.0B	126,235	\$1.9B	122,623	\$1.7B

Major Colleges and Universities: Texas State Technical Colleges Waco Campus, McLennan Community College, Baylor University

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas and DemographicsUSA County Edition. Any data on population, value added by manufacturing or production of minerals or agricultural products are from US Census or other official sources.

Labor Force Statistics	County		Texas		United States	
	<u>Dec. 2025</u>	<u>Dec. 2024</u>	<u>Dec. 2025</u>	<u>Dec. 2024</u>	<u>Dec. 2025</u>	<u>Dec. 2024</u>
Civilian Labor Force	134,037	132,958	15,931,415	15,737,596	170,723,000	167,746,000
Employment	129,237	128,575	15,307,152	15,153,794	163,720,000	161,294,000
Unemployment	4,800	4,383	624,263	583,802	7,003,000	6,452,000
Unemployment Rate %	3.6%	3.3%	3.9%	3.7%	4.1%	3.8%

Source: Texas Labor Market Review.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

March 18, 2026

**MIDWAY INDEPENDENT SCHOOL DISTRICT
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2026
DATED AS OF MARCH 18, 2026
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$ _____**

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

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

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

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



determined to be inaccurate or if the District fails to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

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

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

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

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

Respectfully,

APPENDIX D

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

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

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

The regular session of the 89th Texas Legislature (the “Legislature”) convened on January 14, 2025, and is scheduled to conclude on June 2, 2025. As of the date of this disclosure, the regular session is underway. The Texas Governor may call one or more special sessions at the conclusion of the regular session. During this time, the Legislature may enact laws that materially change current law as it relates to the Guarantee Program, the TEA, the State Board of Education (the “SBOE”), the Permanent School Fund Corporation (the “PSF Corporation”), the Act, and Texas school finance generally. No representation is made regarding any actions the Legislature has taken or may take, but the TEA, SBOE, and PSF Corporation monitor and analyze legislation for any developments applicable thereto.

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

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

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

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

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

Audited financial information for the PSF is provided annually through the PSF Corporation’s Annual Comprehensive Financial Report (the “Annual Report”), which is filed with the Municipal Securities Rulemaking Board (“MSRB”). The Texas School Land Board’s (the “SLB”) land and real assets investment operations, which are part of the PSF as described below, are also included in the annual financial report of the Texas General Land Office (the “GLO”) that is included in the annual comprehensive report of the State of Texas. The Annual Report

includes the Message From the Chief Executive Officer of the PSF Corporation (the “Message”) and the Management’s Discussion and Analysis (“MD&A”). The Annual Report for the year ended August 31, 2024, as filed with the MSRB in accordance with the PSF undertaking and agreement made in accordance with Rule 15c2-12 (“Rule 15c2-12”) of the United States Securities and Exchange Commission (the “SEC”), as described below, is hereby incorporated by reference into this disclosure. Information included herein for the year ended August 31, 2024, is derived from the audited financial statements of the PSF, which are included in the Annual Report as it is filed and posted. Reference is made to the Annual Report for the complete Message and MD&A for the year ended August 31, 2024, and for a description of the financial results of the PSF for the year ended August 31, 2024, the most recent year for which audited financial information regarding the Fund is available. The 2024 Annual Report speaks only as of its date and the PSF Corporation has not obligated itself to update the 2024 Annual Report or any other Annual Report. The PSF Corporation posts (i) each Annual Report, which includes statistical data regarding the Fund as of the close of each fiscal year, (ii) the most recent disclosure for the Guarantee Program, (iii) the PSF Corporation’s Investment Policy Statement (the “IPS”), and (iv) monthly updates with respect to the capacity of the Guarantee Program (collectively, the “Web Site Materials”) on the PSF Corporation’s web site at <https://texaspsf.org> and with the MSRB at www.emma.msrb.org. Such monthly updates regarding the Guarantee Program are also incorporated herein and made a part hereof for all purposes. In addition to the Web Site Materials, the Fund is required to make quarterly filings with the SEC under Section 13(f) of the Securities Exchange Act of 1934. Such filings, which consist of a list of the Fund’s holdings of securities specified in Section 13(f), including exchange-traded (e.g., NYSE) or NASDAQ-quoted stocks, equity options and warrants, shares of closed-end investment companies and certain convertible debt securities, are available from the SEC at www.sec.gov/edgar. A list of the Fund’s equity and fixed income holdings as of August 31 of each year is posted to the PSF Corporation’s web site and filed with the MSRB. Such list excludes holdings in the Fund’s securities lending program. Such list, as filed, is incorporated herein and made a part hereof for all purposes.

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

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

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

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

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

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

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

For each biennium, beginning with the 2024-2025 State biennium, the PSF Corporation is required to submit a legislative appropriations request (“LAR”) to the LBB and the Office of the Governor that details a request for appropriation of funds to enable the PSF Corporation

to carry out its responsibilities for the investment management of the Fund. The requested funding, budget structure, and riders are sufficient to fully support all operations of the PSF Corporation in state fiscal years 2026 and 2027. As described therein, the LAR is designed to provide the PSF Corporation with the ability to operate as a stand-alone state entity in the State budget while retaining the flexibility to fulfill its fiduciary duty and provide oversight and transparency to the Legislature and Governor.

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

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

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

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

ANNUAL DISTRIBUTIONS TO THE AVAILABLE SCHOOL FUND⁽¹⁾

Fiscal Year Ending	2015	2016	2017	2018	2019	2020	2021	2022	2023⁽²⁾	2024
PSF(CORP) Distribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$2,076	\$2,156
PSF(SBOE) Distribution	839	1,056	1,056	1,236	1,236	1,102	1,102	1,731	-	-
PSF(SLB) Distribution	-	-	-	-	300	600	600 ⁽³⁾	415	115	-
Per Student Distribution	173	215	212	247	306	347	341	332	440	430

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

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

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

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

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

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

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

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

- Generate distributions for the benefit of public schools in Texas;
- Maintain the purchasing power of the Fund, after spending and inflation, in order to maintain intergenerational equity with respect to distributions from the Fund;
- Provide a maximum level of return consistent with prudent risk levels, while maintaining sufficient liquidity needed to support Fund obligations; and
- Maintain a “AAA” credit rating, as assigned by a nationally recognized securities rating organization.

The table below sets forth the current strategic asset allocation of the Fund that was adopted September 2024 (which is subject to change from time to time):

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

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

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COMPARATIVE INVESTMENT SCHEDULE – PSF(CORP)

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

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

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

Investment Schedule – PSF(SLB)⁽¹⁾

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

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

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

(3) Includes an estimated 1,000,000.00 acres in freshwater rivers.

(4) Includes an estimated 1,747,600.00 in excess acreage.

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

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

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

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

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

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

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

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

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

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

Pursuant to the CDBGP Rules, the Education Commissioner annually determines the ratio of charter district students to total public school students, for the 2025 fiscal year, the ratio is 7.86%. At February 27, 2025, there were 188 active open-enrollment charter schools in the

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

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

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

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

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

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

From time to time, TEA has limited new guarantees under the Charter District Bond Guarantee Program to conform to capacity limits specified by the Act. The Charter District Bond Guarantee Program Capacity (the “CDBG Capacity”) is made available from the capacity

of the Guarantee Program but is not reserved exclusively for the Charter District Bond Guarantee Program. See “Capacity Limits for the Guarantee Program.” Other factors that could increase the CDBGP Capacity include Fund investment performance, future increases in the Guarantee Program multiplier, changes in State law that govern the calculation of the CDBGP Capacity, as described below, changes in State or federal law or regulations related to the Guarantee Program limit, growth in the relative percentage of students enrolled in open-enrollment charter schools to the total State scholastic census, legislative and administrative changes in funding for charter districts, changes in level of school district or charter district participation in the Guarantee Program, or a combination of such circumstances.

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

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

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

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

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

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

As of January 31, 2025, the estimated State Capacity Limit is \$169,961,518,160, which is lower than the IRS Limit, making the State Capacity Limit the current Capacity Limit for the Fund.

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

Based upon historical performance of the Fund, the legal restrictions relating to the amount of bonds that may be guaranteed has generally resulted in a lower ratio of guaranteed bonds to available assets as compared to many other types of credit enhancements that may be available

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

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

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

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

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

Since the initial authorization of the Charter District Bond Guarantee Program, the Act has established a bond guarantee reserve fund in the State treasury (the “Charter District Reserve Fund”). Formerly, the Act provided that each charter district that has a bond guaranteed must annually remit to the Education Commissioner, for deposit in the Charter District Reserve Fund, an amount equal to 10% of the savings to the charter district that is a result of the lower interest rate on its bonds due to the guarantee by the PSF. SB 1480 modified the Act insofar as it pertains to the Charter District Reserve Fund. Effective September 1, 2017, the Act provides that a charter district that has a bond guaranteed must remit to the Education Commissioner, for deposit in the Charter District Reserve Fund, an amount equal to 20% of the savings to the charter district that is a result of the lower interest rate on the bond due to the guarantee by the PSF. The amount due shall be paid on receipt by the charter district of the bond proceeds. However, the deposit requirement will not apply if the balance of the Charter District Reserve Fund is at least equal to 3.00% of the total amount of outstanding guaranteed bonds issued by charter districts. At January 31, 2025, the Charter District Reserve Fund contained \$120,355,020, which represented approximately 2.44% of the guaranteed charter district bonds. The Reserve Fund is held and invested as a non-commingled fund under the administration of the PSF Corporation staff.

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

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

As a general rule, the operation of a charter school involves fewer State requirements and regulations for charter holders as compared to other public schools, but the maintenance of a State-granted charter is dependent upon on-going compliance with State law and regulations, which are monitored by TEA. TEA has a broad range of enforcement and remedial actions that it can take as corrective measures, and such actions

may include the loss of the State charter, the appointment of a new board of directors to govern a charter district, the assignment of operations to another charter operator, or, as a last resort, the dissolution of an open-enrollment charter school. Charter holders are governed by a private board of directors, as compared to the elected boards of trustees that govern school districts.

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

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

VALUATION OF THE PSF AND GUARANTEED BONDS

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

- (1) SLB managed assets are included in the market value and book value of the Fund. In determining the market value of the PSF from time to time during a fiscal year, the current, unaudited values for PSF investment portfolios and cash held by the SLB are used. With respect to SLB managed assets shown in the table above, market values of land and mineral interests, internally managed real estate, investments in externally managed real estate funds and cash are based upon information reported to the PSF Corporation by the SLB. The SLB reports that information to the PSF Corporation on a quarterly basis. The valuation of such assets at any point in time is dependent upon a variety of factors, including economic conditions in the State and nation in general, and the values of these assets, and, in particular, the valuation of mineral holdings administered by the SLB, can be volatile and subject to material changes from period to period.
- (2) At August 31, 2024, mineral assets, sovereign lands, other lands, and discretionary internal investments, had book values of approximately \$13.4 million, \$0.8 million, \$37.2 million, and \$318.9 million, respectively, and market values of approximately \$4,540.6 million, \$277.4 million, \$153.1 million, and \$457.0 million, respectively.

Permanent School Fund Guaranteed Bonds	
At 8/31	Principal Amount ⁽¹⁾
2020	\$ 90,336,680,245
2021	95,259,161,922
2022	103,239,495,929
2023	115,730,826,682
2024	125,815,981,603 ⁽²⁾

- (1) Represents original principal amount; does not reflect any subsequent accretions in value for compound interest bonds (zero coupon securities). The amount shown excludes bonds that have been refunded and released from the Guarantee Program. The TEA does not maintain records of the accreted value of capital appreciation bonds that are guaranteed under the Guarantee Program.
- (2) At August 31, 2024 (the most recent date for which such data is available), the TEA expected that the principal and interest to be paid by school districts and charter districts over the remaining life of the bonds guaranteed by the Guarantee Program was \$196,294,405,488, of which \$70,478,423,885 represents interest to be paid. As shown in the table above, at August 31, 2024, there were \$125,815,981,603 in principal amount of bonds guaranteed under the Guarantee Program. Using the State Capacity Limit of \$169,961,518,160 (the State Capacity Limit is currently the Capacity Limit), net of the Capacity Reserve, as of January 31, 2025, 7.69% of the Guarantee Program’s capacity was available to the Charter District Bond Guarantee Program. As of January 31, 2025, the amount of outstanding bond guarantees represented 76.33% of the Capacity Limit (which is currently the State Capacity Limit). January 31, 2025 values are based on unaudited data, which is subject to adjustment.

Permanent School Fund Guaranteed Bonds by Category⁽¹⁾

School District Bonds			Charter District Bonds			Totals
FYE 8/31	No. of Issues	Principal Amount	No. of Issues	Principal Amount	No. of Issues	Principal Amount
2020	3,296	\$ 87,800,478,245	64	\$2,536,202,000	3,360	\$ 90,336,680,245
2021	3,346	91,951,175,922	83	3,307,986,000	3,429	95,259,161,922
2022	3,348	99,528,099,929	94	3,711,396,000	3,442	103,239,495,929
2023	3,339	111,647,914,682	102	4,082,912,000	3,441	115,730,826,682
2024 ⁽²⁾	3,330	121,046,871,603	103	4,769,110,000	3,433	125,815,981,603

- (1) Represents original principal amount; does not reflect any subsequent accretions in value for compound interest bonds (zero coupon securities). The amount shown excludes bonds that have been refunded and released from the Guarantee Program.
- (2) At January 31, 2025 (based on unaudited data, which is subject to adjustment), there were \$129,723,799,121 in principal amount of bonds guaranteed under the Guarantee Program, representing 3,437 school district issues, aggregating \$124,794,149,121 in principal amount and 109 charter district issues, aggregating \$4,929,650,000 in principal amount. At January 31, 2025 the projected guarantee capacity available was \$39,780,221,830 (based on unaudited data, which is subject to adjustment).

DISCUSSION AND ANALYSIS PERTAINING TO FISCAL YEAR ENDED AUGUST 31, 2024 . . . The following discussion is derived from the Annual Report for the year ended August 31, 2024, including the Message from the Chief Executive Officer of the Fund, the Management’s Discussion and Analysis, and other schedules contained therein. Reference is made to the Annual Report, as filed with the MSRB, for the complete Message and MD&A. Investment assets managed by the PSF Corporation are referred to throughout this MD&A as the PSF(CORP). The Fund’s non-financial real assets are managed by the SLB and these assets are referred to throughout as the PSF(SLB) assets.

At the end of fiscal year 2024, the PSF(CORP) net position was \$57.3 billion. During the year, the PSF(CORP) continued implementing the long-term strategic asset allocation, diversifying the investment mix to strengthen the Fund. The asset allocation is projected to increase returns over the long run while reducing risk and portfolio return volatility. The PSF(CORP) is invested in global markets and liquid and illiquid assets experience volatility commensurate with the related indices. The PSF(CORP) is broadly diversified and benefits from the cost structure of its investment program. Changes continue to be researched, crafted, and implemented to make the cost structure more effective and efficient. The PSF(CORP) annual rates of return for the one-year, five-year, and ten-year periods ending August 31, 2024, net of fees, were 10.12%, 7.31%, and 6.32%, respectively (total return takes into consideration the change in the market value of the Fund during the year as well as the interest and dividend income generated by the Fund’s investments). See “Comparative Investment Schedule – PSF(CORP)” for the PSF(CORP) holdings as of August 31, 2024.

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

PSF Returns Fiscal Year Ended 8-31-2024⁽¹⁾

Portfolio	Return	Benchmark Return ⁽²⁾
Total PSF (CORP) Portfolio	10.12	9.28
Domestic Large Cap Equities	27.30	27.14
Domestic Small/Mid Cap Equities	18.35	18.37
International Equities	18.82	18.08
Private Credit	1.41	0.93
Core Bonds	7.08	7.30
Absolute Return	11.50	8.87
Real Estate	(6.42)	(7.22)
Private Equity	4.62	4.23
High Yield	12.03	12.53
Natural Resources	12.36	6.42
Infrastructure	4.41	3.63
Bank Loans	3.02	3.23
Short Term Investment Portfolio	2.42	2.28

- (1) Time weighted rates of return adjusted for cash flows for the PSF(CORP) investment assets. Does not include SLB managed real estate or real assets. Returns are net of fees. Source: Annual Report for year ended August 31, 2024.
- (2) Benchmarks are as set forth in the Annual Report for year ended August 31, 2024.

The SLB is responsible for the investment of money in the Real Estate Special Fund Account (RESFA) of the PSF (also referred to herein as the PSF(SLB)). Pursuant to applicable law, money in the PSF(SLB) may be invested in land, mineral and royalty interest, and real property holdings. For more information regarding the investments of the PSF(SLB), please see the 2024 Unaudited Annual Financial Report of the Texas General Land Office and Veterans Land Board.

The Fund directly supports the public school system in the State by distributing a predetermined percentage of its asset value to the ASF. In fiscal year 2024, \$2.2 billion was distributed to the ASF, \$600 million of which was distributed by the PSF(CORP) on behalf of the SLB.

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

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

As of August 31, 2024, certain lawsuits were pending against the State and/or the GLO, which challenge the Fund's title to certain real property and/or past or future mineral income from that property, and other litigation arising in the normal course of the investment activities of the PSF. Reference is made to the Annual Report, when filed, for a description of such lawsuits that are pending, which may represent contingent liabilities of the Fund.

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

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

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

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

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

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

The PSF Corporation reports as a special-purpose government engaged in business-type activities and reports to the State of Texas as a discretely presented component unit accounted for on an economic resources measurement focus and the accrual basis of accounting. Measurement focus refers to the definition of the resource flows measured. Under the accrual basis of accounting, all revenues reported are

recognized in the period they are earned or when the PSF Corporation has a right to receive them. Expenses are recognized in the period they are incurred, and the subsequent amortization of any deferred outflows. Additionally, costs related to capital assets are capitalized and subsequently depreciated over the useful life of the assets. Both current and long-term assets and liabilities are presented in the statement of net position.

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

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

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

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

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

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

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

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

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

APPENDIX E

EXCERPTS FROM THE MIDWAY INDEPENDENT SCHOOL DISTRICT ANNUAL FINANCIAL REPORT For the Year Ended June 30, 2025

The information contained in this APPENDIX consists of excerpts from the Midway Independent School District Annual Financial Report for the Year Ended June 30, 2025, and is not intended to be a complete statement of the District's financial condition. Reference is made to the complete Report for further information.



INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Midway Independent School District
Woodway, Texas

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Emphasis of Matter

As discussed in Note I to the basic financial statements, during the year ended June 30, 2025, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. Our opinions are not modified with respect to this matter.

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.

OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining statements, required TEA schedules, and the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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, combining statements, required TEA 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2025, 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 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.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
December 9, 2025

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Midway Independent School District's financial performance provides an overview of the District's financial activities for the year ended June 30, 2025. Please read it in conjunction with the District's financial statements, which begin on page 10.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$59,939,036 (net position). None of this amount may be used to meet the District's obligations since it represents the District's net investment in capital assets, or otherwise restricted for Federal & State programs or for debt service. Unrestricted net position was a deficit of \$14,891,193.
- The District's total net position increased by \$6,367,137 primarily due to decreased pension expense, increased property tax revenues, and increased state aid revenue.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$55,615,792, an increase of \$523,985 in comparison with the prior year caused primarily by increased property tax revenues resulting from rising assessed values.
- At the end of the current fiscal year, the total unassigned fund balance for the General Fund was \$26,137,247, or 28.4% of total General Fund expenditures.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the District as a whole and present a long-term view of the District's property and obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short-term, as well as what resources remain for future spending. They reflect the flow of current financial resources and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how services of the District were sold to external customers. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements of the fund financial statements.

The combining statements for nonmajor funds are presented immediately following the required supplementary information and contain even more information about the District's individual funds. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 10. Its primary objective is to show the results of operations and whether the District is better off or worse off as a result of the year's activities.

The Statement of Net Position includes all the District's assets and liabilities while the Statement of Activities includes all the revenue and expenses generated by the District's operations during the year. These apply the accrual basis of accounting, which is the same method used by most private sector companies.

All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid. The District's revenue is divided into those provided by outside parties who share the costs of some programs, such as tuition received from students and grants provided by the U. S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenue), and general revenue provided by the taxpayers or by TEA in equalization funding processes (general revenue). All of the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in them. The District's net position (the difference between assets and liabilities) provides one measure of the District's financial health or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, the District has two kinds of activities:

Governmental Activities – Most of the District's basic services are reported here, including instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.

Business-type Activities – The District's activities for which outside users are charged a fee roughly equal to the cost of providing the goods or services to those activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The Fund financial statements provide detailed information about the most significant funds – not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under ESEA Title I from the U. S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District's two kinds of funds – governmental and proprietary – use different accounting approaches.

Governmental Funds – The District reports most of its basic services in governmental funds. These funds use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash), and they report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the governmental fund financial statements.

Proprietary Funds – Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. As mentioned above in the government-wide definition, the District uses the business-type activities or Enterprise Funds to report activities for the District's Panther Kids after- school care program.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 22 and 23. We exclude these resources from the District's other financial statements because the District cannot use them to support its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the District's governmental and business-type activities.

Net position of the District's governmental activities increased from \$58,280,783 to \$59,695,357, primarily due to an increase in foundation revenue and property tax revenues. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was a deficit of \$15,134,872 at June 30, 2025. This is not an indication that the District lacks sufficient resources to satisfy current obligations; instead, it reflects several significant accrued liabilities related to retirement, post-employment benefits, and compensated absences, whereby the liabilities are accrued at present but will be satisfied with future revenues.

**TABLE 1
MIDWAY INDEPENDENT SCHOOL DISTRICT**

	NET POSITION					
	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Current and other assets	\$ 69,930,916	\$ 70,573,615	\$ 248,918	\$ 199,494	\$ 70,179,834	\$ 70,773,109
Capital assets	<u>231,929,123</u>	<u>241,658,214</u>	<u>-</u>	<u>-</u>	<u>231,929,123</u>	<u>241,658,214</u>
Total assets	<u>301,860,039</u>	<u>312,231,829</u>	<u>248,918</u>	<u>199,494</u>	<u>302,108,957</u>	<u>312,431,323</u>
Total deferred outflows of resources	<u>16,469,823</u>	<u>18,586,059</u>	<u>-</u>	<u>-</u>	<u>16,469,823</u>	<u>18,586,059</u>
Other liabilities	13,203,725	13,076,834	5,239	6,884	13,208,964	13,083,718
Long-term liabilities	<u>229,528,834</u>	<u>238,754,256</u>	<u>-</u>	<u>-</u>	<u>229,528,834</u>	<u>238,754,256</u>
Total liabilities	<u>242,732,559</u>	<u>251,831,090</u>	<u>5,239</u>	<u>6,884</u>	<u>242,737,798</u>	<u>251,837,974</u>
Total deferred inflows of resources	<u>15,901,946</u>	<u>20,706,015</u>	<u>-</u>	<u>-</u>	<u>15,901,946</u>	<u>20,706,015</u>
Net position:						
Net investment in capital assets	51,941,199	47,411,324	-	-	51,941,199	47,411,324
Restricted	22,889,030	20,967,254	-	-	22,889,030	20,967,254
Unrestricted	<u>(15,134,872)</u>	<u>(10,097,795)</u>	<u>243,679</u>	<u>192,610</u>	<u>(14,891,193)</u>	<u>(9,905,185)</u>
Total net position	<u>\$ 59,695,357</u>	<u>\$ 58,280,783</u>	<u>\$ 243,679</u>	<u>\$ 192,610</u>	<u>\$ 59,939,036</u>	<u>\$ 58,473,393</u>

TABLE 2

MIDWAY INDEPENDENT SCHOOL DISTRICT

CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
REVENUES						
Program revenues:						
Charges for services	\$ 2,429,701	\$ 2,269,558	\$ 652,294	\$ 676,679	\$ 3,081,995	\$ 2,946,237
Operating grants and contributions	13,774,357	14,296,930	-	-	13,774,357	14,296,930
General revenues:						
Maintenance and operations taxes	58,052,402	54,500,406	-	-	58,052,402	54,500,406
Debt service taxes	19,997,537	18,688,531	-	-	19,997,537	18,688,531
State aid - formula grants	25,299,205	23,811,427	-	-	25,299,205	23,811,427
Investment earnings	2,818,414	2,915,551	-	-	2,818,414	2,915,551
Miscellaneous local and intermediate	379,547	1,519,765	-	-	379,547	1,519,765
Total revenues	<u>122,751,163</u>	<u>118,002,168</u>	<u>652,294</u>	<u>676,679</u>	<u>123,403,457</u>	<u>118,678,847</u>
EXPENSES						
Instruction	61,032,009	59,984,654	-	-	61,032,009	59,984,654
Instructional resources and media services	1,165,233	1,006,247	-	-	1,165,233	1,006,247
Curriculum and staff development	1,385,992	1,104,760	-	-	1,385,992	1,104,760
Instructional leadership	3,180,426	2,457,964	-	-	3,180,426	2,457,964
School leadership	4,849,967	4,357,702	-	-	4,849,967	4,357,702
Guidance, counseling and evaluation services	3,489,348	3,403,166	-	-	3,489,348	3,403,166
Social work services	224,510	206,284	-	-	224,510	206,284
Data processing services	1,264,305	1,372,414	-	-	1,264,305	1,372,414
Community services	192,279	219,957	-	-	192,279	219,957
Health services	967,848	916,398	-	-	967,848	916,398
Student (pupil) transportation	4,918,725	4,215,267	-	-	4,918,725	4,215,267
Food services	5,159,803	4,571,731	-	-	5,159,803	4,571,731
Co-curricular/extracurricular activities	5,456,682	5,113,848	-	-	5,456,682	5,113,848
General administration	3,731,825	3,178,890	-	-	3,731,825	3,178,890
Plant maintenance and operations	12,040,379	8,781,809	-	-	12,040,379	8,781,809
Security and monitoring services	1,564,578	2,078,585	-	-	1,564,578	2,078,585
Debt service - interest on long-term debt	4,836,665	3,536,952	-	-	4,836,665	3,536,952
Debt service - bond issuance costs and fees	248,685	222,882	-	-	248,685	222,882
Panther kids day care	-	-	601,225	407,471	601,225	407,471
Other governmental charges	725,836	677,487	-	-	725,836	677,487
Total expenses	<u>116,435,095</u>	<u>107,406,997</u>	<u>601,225</u>	<u>407,471</u>	<u>117,036,320</u>	<u>107,814,468</u>
INCREASE IN NET POSITION	6,316,068	10,595,171	51,069	269,208	6,367,137	10,864,379
NET POSITION, BEGINNING, RESTATED	<u>53,379,289</u>	<u>47,685,612</u>	<u>192,610</u>	<u>(76,598)</u>	<u>53,571,899</u>	<u>47,609,014</u>
NET POSITION, ENDING	<u>\$ 59,695,357</u>	<u>\$ 58,280,783</u>	<u>\$ 243,679</u>	<u>\$ 192,610</u>	<u>\$ 59,939,036</u>	<u>\$ 58,473,393</u>

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on page 13) reported a combined fund balance of \$55,615,792, which is an increase over last year's total of \$55,091,807.

The General Fund is the District's primary operating fund. Fund balances in the General Fund increased by \$245,452 as increased property tax and state foundation revenues offset increased expenditures. Expenditures increased primarily due to salary increases as the District works to attract and retain staff with competitive compensation compared to other districts. Maintenance costs also increased as District facilities have aged.

The Debt Service Fund is the other governmental fund considered to be a major fund. For fiscal year 2025, its fund balance increased by \$2,958,720. This reflects the continuation of several years of operating surpluses. As appraised values have risen in the District, both from growth and appreciation, property tax revenues have increased compared to debt service costs decreasing over time as existing bonds are paid off. The District has used these reserves to make early defeasances on bonds not yet due, which saves on future interest costs. The District's interest and sinking property tax rate has been flat or decreased for several years.

General Fund Budgetary Highlights

The District's General Fund balance of \$29.6 million reported on pages 13 and 16 differs from the General Fund's budgetary fund balance of \$24.6 million. This is principally due to higher state revenues than expected, as well as cost savings across most functions. The District initially forecasted a significant decrease in fund balance, and concerted cost-reduction efforts were taken to control spending and, ultimately, add a small amount to fund balance. Major budget amendments include amounts to reallocate funds from categories having available funds to categories where funds were more needed.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2025, the District had approximately \$231.9 million (net of accumulated depreciation) invested in a broad range of capital assets, including instructional facilities and equipment, transportation facilities and equipment, athletic facilities, and administrative and maintenance buildings and equipment.

This year's major transactions included building improvements of \$785,000 and the beginning of construction of improvements, which led to a \$182,000 increase to construction in progress.

Additional information about the District's capital assets is presented in Note II.C to the financial statements.

Debt

At year-end, the District had approximately \$186.5 million in bonds and loans outstanding versus approximately \$202.9 million last year. The decrease resulted from continued payment on existing long-term debt. The District made an advance defeasance of \$2.5 million of bonds during FY25, but otherwise no significant transactions occurred besides scheduled bond payments.

The District's general obligation bond rating continues to carry the highest rating possible, a rating that has been assigned by national rating agencies. Additional information about the District's long-term liabilities is presented in Note II.F to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected officials considered many factors when setting the fiscal year 2026 budget and tax rates. Due to an increase in the homestead exemption, the District expects tax revenue to decrease modestly for fiscal year 2026. In accordance with funding formulas, the District expects to receive an increase in State funding to offset the decreased tax revenue. The District will receive a new Teacher Retention Allotment from the State, providing \$5,000 to teachers with 5 or more years of experience and \$3,500 for teachers with 3 to 4 years of experience. The budget includes raises for all other staff of approximately 2%.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors 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 Administration office, at 13885 Woodway Drive, Woodway, Texas 76712.

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BASIC FINANCIAL STATEMENTS

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MIDWAY INDEPENDENT SCHOOL DISTRICT

EXHIBIT A-1

STATEMENT OF NET POSITION

JUNE 30, 2025

Data Control Codes		Primary Government		
		1	2	3
		Governmental Activities	Business-type Activities	Total
ASSETS				
1110	Cash and cash equivalents	\$ 59,197,723	\$ 238,691	\$ 59,436,414
1120	Current investments	3,081,231	-	3,081,231
1210	Current property taxes receivable	896,615	-	896,615
1220	Delinquent property taxes receivable	641,913	-	641,913
1230	Allowance for uncollectible taxes (credit)	(400,018)	-	(400,018)
1240	Due from other governments	6,485,686	-	6,485,686
1290	Other receivables, net	27,766	10,227	37,993
Capital assets:				
1510	Land	11,013,386	-	11,013,386
1520	Buildings and improvements, net	214,075,791	-	214,075,791
1530	Furniture and equipment, net	6,657,946	-	6,657,946
1580	Construction in progress	182,000	-	182,000
1000	Total assets	301,860,039	248,918	302,108,957
DEFERRED OUTFLOWS OF RESOURCES				
1701	Deferred loss on bond refunding	1,172,539	-	1,172,539
1705	Pension related	6,621,608	-	6,621,608
1706	OPEB related	8,675,676	-	8,675,676
1700	Total deferred outflows of resources	16,469,823	-	16,469,823
LIABILITIES				
2110	Accounts payable	393,174	-	393,174
2140	Accrued interest payable	2,542,281	-	2,542,281
2160	Accrued wages payable	10,063,591	5,239	10,068,830
2300	Unearned revenue	204,679	-	204,679
Noncurrent liabilities:				
Due within one year:				
2501	Bonds, loans, and compensated absences	14,283,109	-	14,283,109
Due in more than one year:				
2502	Bonds, loans, and compensated absences	172,222,424	-	172,222,424
2540	Net pension liability	25,062,707	-	25,062,707
2545	Net OPEB liability	17,960,594	-	17,960,594
2000	Total liabilities	242,732,559	5,239	242,737,798
DEFERRED INFLOWS OF RESOURCES				
2605	Pension related	763,857	-	763,857
2606	OPEB related	15,138,089	-	15,138,089
2600	Total deferred inflows of resources	15,901,946	-	15,901,946
NET POSITION				
3200	Net investment in capital assets	51,941,199	-	51,941,199
Restricted for:				
3820	Federal and state programs	563,559	-	563,559
3850	Debt service	22,325,471	-	22,325,471
3900	Unrestricted	(15,134,872)	243,679	(14,891,193)
3000	Total net position	\$ 59,695,357	\$ 243,679	\$ 59,939,036

The accompanying notes are an integral part of this financial statement.

MIDWAY INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2025

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues	
			3 Charges for Services	4 Operating Grants and Contributions
Primary government:				
	Governmental activities:			
11	Instruction	\$ 61,032,009	\$ 452,035	\$ 4,775,845
12	Instructional resources and media services	1,165,233	-	87,940
13	Curriculum and staff development	1,385,992	-	40,309
21	Instructional leadership	3,180,426	-	746,148
23	School leadership	4,849,967	-	200,853
31	Guidance, counseling, and evaluation services	3,489,348	-	246,949
32	Social work services	224,510	-	35,152
33	Health services	967,848	-	287,166
34	Student transportation	4,918,725	-	82,722
35	Food service	5,159,803	1,598,499	2,846,145
36	Extracurricular activities	5,456,682	237,789	1,411,096
41	General administration	3,731,825	-	179,108
51	Facilities maintenance and operations	12,040,379	141,378	208,263
52	Security and monitoring services	1,564,578	-	411,493
53	Data processing services	1,264,305	-	33,663
61	Community services	192,279	-	137,848
72	Interest on long-term debt	4,836,665	-	2,043,657
73	Bond issuance costs and fees	248,685	-	-
99	Other governmental charges	<u>725,836</u>	<u>-</u>	<u>-</u>
TG	Total governmental activities	<u>116,435,095</u>	<u>2,429,701</u>	<u>13,774,357</u>
	Business-type activities:			
04	Panther kids day care	<u>601,225</u>	<u>652,294</u>	<u>-</u>
TB	Total business-type activities	<u>601,225</u>	<u>652,294</u>	<u>-</u>
TP	Total primary government	<u>\$ 117,036,320</u>	<u>\$ 3,081,995</u>	<u>\$ 13,774,357</u>
General revenues:				
	Taxes:			
MT	Property taxes, levied for general purposes			
DT	Property taxes, levied for debt service			
GC	Grants and contributions not restricted			
IE	Investment earnings			
MI	Miscellaneous local and intermediate revenue			
TR	Total general revenues			
CN	Change in net position			
NB	Net position - beginning, as previously reported			
PA	Change in accounting principle			
	Net position - beginning, as restated			
NE	Net position - ending			

The accompanying notes are an integral part of this financial statement.

Net (Expenses) Revenue and Changes in Net Position		
6	7	8
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (55,804,129)	\$ -	\$ (55,804,129)
(1,077,293)	-	(1,077,293)
(1,345,683)	-	(1,345,683)
(2,434,278)	-	(2,434,278)
(4,649,114)	-	(4,649,114)
(3,242,399)	-	(3,242,399)
(189,358)	-	(189,358)
(680,682)	-	(680,682)
(4,836,003)	-	(4,836,003)
(715,159)	-	(715,159)
(3,807,797)	-	(3,807,797)
(3,552,717)	-	(3,552,717)
(11,690,738)	-	(11,690,738)
(1,153,085)	-	(1,153,085)
(1,230,642)	-	(1,230,642)
(54,431)	-	(54,431)
(2,793,008)	-	(2,793,008)
(248,685)	-	(248,685)
(725,836)	-	(725,836)
(100,231,037)	-	(100,231,037)
-	51,069	51,069
-	51,069	51,069
\$ (100,231,037)	\$ 51,069	\$ (100,179,968)
58,052,402	-	58,052,402
19,997,537	-	19,997,537
25,299,205	-	25,299,205
2,818,414	-	2,818,414
379,547	-	379,547
106,547,105	-	106,547,105
6,316,068	51,069	6,367,137
58,280,783	192,610	58,473,393
(4,901,494)	-	(4,901,494)
53,379,289	192,610	53,571,899
\$ 59,695,357	\$ 243,679	\$ 59,939,036

MIDWAY INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2025

Data Control Codes		10	50
		General	Debt Service
ASSETS			
1110	Cash and cash equivalents	\$ 29,874,447	\$ 24,577,350
1120	Current investments	3,081,231	-
1210	Current property taxes receivable	649,474	247,141
1220	Delinquent property taxes receivable	496,078	145,835
1230	Allowance for uncollectible taxes (credit)	(297,844)	(102,174)
1240	Due from other governments	5,858,786	-
1260	Due from other funds	705,378	-
1290	Other receivables	27,766	-
1000	Total assets	40,395,316	24,868,152
LIABILITIES			
2110	Accounts payable	352,576	400
2160	Accrued wages payable	9,765,681	-
2170	Due to other funds	-	-
2300	Unearned revenue	-	-
2000	Total liabilities	10,118,257	400
DEFERRED INFLOWS OF RESOURCES			
2605	Unavailable revenue - property taxes	647,980	221,071
2600	Total deferred inflows of resources	647,980	221,071
FUND BALANCES			
	Restricted for:		
3450	Federal and state programs	-	-
3470	Construction	-	-
3480	Debt service	-	24,646,681
	Committed for:		
3545	Campus activity	-	-
	Assigned for:		
3590	Next year's budget	3,491,832	-
3600	Unassigned	26,137,247	-
3000	Total fund balances	29,629,079	24,646,681
4000	Total liabilities, deferred inflows of resources and fund balances	\$ 40,395,316	\$ 24,868,152

The accompanying notes are an integral
part of this financial statement.

onmf	98
Other	Total
Governmental	Governmental
Funds	Funds
\$ 1,961,297	\$ 56,413,094
-	3,081,231
-	896,615
-	641,913
-	(400,018)
626,900	6,485,686
-	705,378
-	27,766
<u>2,588,197</u>	<u>67,851,665</u>
40,198	393,174
297,910	10,063,591
705,378	705,378
<u>204,679</u>	<u>204,679</u>
<u>1,248,165</u>	<u>11,366,822</u>
-	<u>869,051</u>
-	<u>869,051</u>
563,559	563,559
10,681	10,681
-	24,646,681
765,792	765,792
-	3,491,832
-	<u>26,137,247</u>
<u>1,340,032</u>	<u>55,615,792</u>
<u>\$ 2,588,197</u>	<u>\$ 67,851,665</u>

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MIDWAY INDEPENDENT SCHOOL DISTRICT

EXHIBIT C-2

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

JUNE 30, 2025

Total Fund Balances - Governmental Funds	\$ 55,615,792
1 The district uses internal service funds to charge the costs of certain activities, such as computer operations, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The net effect of this consolidation is to increase net position.	3,632,204
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.	228,821,348
3 Uncollected property taxes are reported as unavailable resources in the governmental funds balance sheet, but are not recognized as a revenue in the statement of activities.	869,051
4 Long-term liabilities, including bonds and tax notes payable, are not due and payable in the current period and therefore are not reported in the funds. Also, the loss on refunding of bonds and the premium on issuance of bonds payable are not reported in the funds.	(177,738,405)
Certain liabilities are not due and payable in the current period and, therefore, is not reported as a liability in the government funds.	
5 Interest payable	(2,542,281)
6 Compensated absences	(5,334,389)
7 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68.	
Deferred outflows related to pensions	6,621,608
Deferred inflows related to pensions	(763,857)
Net pension liability	(25,062,707)
8 Included in the items related to debt is the recognition of the District's proportionate share of the net other post-employment benefit (OPEB) liability required by GASB 75.	
Deferred outflows related to OPEB	8,675,676
Deferred inflows related to OPEB	(15,138,089)
Net OPEB liability	<u>(17,960,594)</u>
29 Net position of governmental activities	<u>\$ 59,695,357</u>

MIDWAY INDEPENDENT SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2025

Data Control Codes		10	50
		General	Debt Service
	REVENUES		
5700	Local and intermediate sources	\$ 61,110,641	\$ 20,856,221
5800	State program revenues	30,550,252	2,043,657
5900	Federal program revenues	624,188	-
5020	Total revenues	<u>92,285,081</u>	<u>22,899,878</u>
	EXPENDITURES		
	Current:		
0011	Instruction	52,773,484	-
0012	Instructional resources and media services	971,449	-
0013	Curriculum and staff development	1,377,786	-
0021	Instructional leadership	2,496,885	-
0023	School leadership	4,893,001	-
0031	Guidance, counseling, and evaluation services	3,439,035	-
0032	Social work services	195,267	-
0033	Health services	960,862	-
0034	Student transportation	4,561,070	-
0035	Food service	-	-
0036	Extracurricular activities	2,783,258	-
0041	General administration	3,679,439	-
0051	Facilities maintenance and operations	10,305,400	-
0052	Security and monitoring services	1,032,340	-
0053	Data processing services	1,190,609	-
0061	Community services	61,335	-
	Debt service:		
0071	Principal on long-term debt	-	13,260,000
0072	Interest on long-term debt	-	6,432,473
0073	Bond issuance costs and fees	-	248,685
0081	Capital outlay	613,278	-
0099	Other intergovernmental charges	725,836	-
6030	Total expenditures	<u>92,060,334</u>	<u>19,941,158</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>224,747</u>	<u>2,958,720</u>
	OTHER FINANCING SOURCES (USES)		
7912	Sale of property	20,705	-
7080	Total other financing sources (uses)	<u>20,705</u>	<u>-</u>
1200	NET CHANGE IN FUND BALANCES	245,452	2,958,720
0100	FUND BALANCES, BEGINNING	<u>29,383,627</u>	<u>21,687,961</u>
3000	FUND BALANCES, ENDING	<u>\$ 29,629,079</u>	<u>\$ 24,646,681</u>

The accompanying notes are an integral
part of this financial statement.

onmf	98
Other	Total
Governmental	Governmental
Funds	Funds
\$ 3,897,058	\$ 85,863,920
1,194,422	33,788,331
<u>5,247,021</u>	<u>5,871,209</u>
<u>10,338,501</u>	<u>125,523,460</u>
3,121,180	55,894,664
55,299	1,026,748
11,378	1,389,164
657,053	3,153,938
42,900	4,935,901
139,353	3,578,388
32,500	227,767
21,841	982,703
14,732	4,575,802
4,909,538	4,909,538
1,312,093	4,095,351
-	3,679,439
904,187	11,209,587
573,434	1,605,774
-	1,190,609
131,239	192,574
-	13,260,000
-	6,432,473
-	248,685
1,091,961	1,705,239
<u>-</u>	<u>725,836</u>
<u>13,018,688</u>	<u>125,020,180</u>
<u>(2,680,187)</u>	<u>503,280</u>
-	20,705
<u>-</u>	<u>20,705</u>
(2,680,187)	523,985
<u>4,020,219</u>	<u>55,091,807</u>
<u>\$ 1,340,032</u>	<u>\$ 55,615,792</u>

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MIDWAY INDEPENDENT SCHOOL DISTRICT**EXHIBIT C-4****RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES****FOR THE YEAR ENDED JUNE 30, 2025**

Net change in fund balances - total governmental funds	\$ 523,985
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(8,598,991)
Property tax revenues that do not provide current financial resources are not reported as revenues in the funds.	(3,025)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal long-term debt consume these current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	13,260,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	1,162,913
Internal Service Funds are used by management to charge the costs of certain activities, such as computer operations, to individual funds. The net revenue (expense) of the Internal Service Funds is reported with governmental activities.	(918,770)
GASB 68 Required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$2,097,126. Contributions made before the measurement date and during the previous fiscal year were expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling \$1,940,518. Finally, the proportionate share of pension expense on the plans as a whole had to be recorded. The net pension expense decreased the change in net position by \$1,447,168.	(1,290,560)
GASB 75 Required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$464,632. Contributions made before the measurement date and during the previous fiscal year were expended and recorded as a reduction in net OPEB liability. This caused a decrease in the change in net position totaling \$448,345. Finally, the proportionate share of OPEB expense on the plans as a whole had to be recorded. The net OPEB expense increased the change in net position by \$2,164,229.	2,180,516
Change in net position of governmental activities	<u>\$ 6,316,068</u>

The accompanying notes are an integral
part of this financial statement.

MIDWAY INDEPENDENT SCHOOL DISTRICT

EXHIBIT D-1

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

JUNE 30, 2025

	Business-type Activities	Governmental Activities
	Enterprise	Internal Service
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 238,691	\$ 2,784,629
Receivables, net	10,227	-
Total current assets	248,918	2,784,629
Noncurrent assets:		
Furniture and equipment	-	4,520,400
Accumulated depreciation	-	(1,412,625)
Total noncurrent assets	-	3,107,775
Total assets	248,918	5,892,404
LIABILITIES		
Current liabilities:		
Accrued wages payable	5,239	-
Financing arrangements payable	-	1,130,100
Total current liabilities	5,239	1,130,100
Noncurrent liabilities:		
Financing arrangements payable	-	1,130,100
Total noncurrent liabilities	-	1,130,100
Total liabilities	5,239	2,260,200
NET POSITION		
Net investment in capital assets	-	847,575
Unrestricted	243,679	2,784,629
Total net position	\$ 243,679	\$ 3,632,204

The accompanying notes are an integral part of this financial statement.

MIDWAY INDEPENDENT SCHOOL DISTRICT**EXHIBIT D-2**

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2025

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
	<u>Enterprise</u>	<u>Internal Service</u>
OPERATING REVENUES		
Local and intermediate sources	\$ 652,294	\$ 276,000
Total operating revenues	<u>652,294</u>	<u>276,000</u>
OPERATING EXPENSES		
Payroll costs	528,653	-
Professional and contracted services	530	8,373
Supplies and materials	19,279	56,297
Other operating costs	52,763	-
Depreciation expense	<u>-</u>	<u>1,130,100</u>
Total operating expenses	<u>601,225</u>	<u>1,194,770</u>
CHANGE IN NET POSITION	51,069	(918,770)
NET POSITION, BEGINNING	<u>192,610</u>	<u>4,550,974</u>
NET POSITION, ENDING	<u>\$ 243,679</u>	<u>\$ 3,632,204</u>

MIDWAY INDEPENDENT SCHOOL DISTRICT

EXHIBIT D-3

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2025

	Business-type Activities	Governmental Activities
	Enterprise	Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from user charges	\$ 652,294	\$ -
Cash received from interfund charges for computer operations	-	276,000
Cash payments to employees for services	(529,183)	(8,373)
Cash payments for suppliers	(80,005)	(62,297)
Net cash provided (used) by operating activities	<u>43,106</u>	<u>205,330</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments on long-term debt	-	(1,130,100)
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(1,130,100)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	43,106	(924,770)
CASH, BEGINNING	<u>195,585</u>	<u>3,709,399</u>
CASH, ENDING	<u><u>238,691</u></u>	<u><u>2,784,629</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	51,069	(918,770)
Depreciation	-	1,130,100
Effect of increases and decreases in current assets and liabilities:		
(Increase) decrease in accounts receivable	(6,318)	-
Increase (decrease) in accounts payable	(1,537)	(6,000)
Increase (decrease) in wages payable	(108)	-
Net cash provided (used) by operating activities	<u>\$ 43,106</u>	<u>\$ 205,330</u>

MIDWAY INDEPENDENT SCHOOL DISTRICT**EXHIBIT E-1**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

JUNE 30, 2025

	Private-Purpose Trust Fund	Custodial Fund
ASSETS		
Cash and cash equivalents	\$ 39,941	\$ 87,034
Total assets	<u>39,941</u>	<u>87,034</u>
NET POSITION		
Restricted for:		
Scholarships	39,941	-
Student groups	-	87,034
Total net position	<u>\$ 39,941</u>	<u>\$ 87,034</u>

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MIDWAY INDEPENDENT SCHOOL DISTRICT**EXHIBIT E-2**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2025

	Private-Purpose Trust Fund	Custodial Fund
ADDITIONS		
Investment earnings:		
Interest	\$ 1,619	\$ -
Total investment earnings	1,619	-
Collections from student groups	-	152,597
Total additions	1,619	152,597
DEDUCTIONS		
Payments on-behalf of student groups	4,700	150,088
Total deductions	4,700	150,088
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	(3,081)	2,509
NET POSITION, BEGINNING	43,022	84,525
NET POSITION, ENDING	\$ 39,941	\$ 87,034

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MIDWAY INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Board of Trustees (the "Board") is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board. There are no component units included within the reporting entity.

B. Government-wide and Fund Financial Statements

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

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

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental and enterprise funds major and reports their financial condition and results of operations in a separate column.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenue and expenses are nonoperating.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenue and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenue in the accounting period in which it becomes both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenue available if it is collectible within 60 days after year-end.

Revenue from local sources consists primarily of property taxes. Property tax revenue and revenue received from the state are recognized under the susceptible-to-accrual concept. Miscellaneous revenue is recorded as revenue when received in cash because it is generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenue until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

The Proprietary Fund Types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenue in the accounting period in which it is earned and becomes measurable, and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets, deferred outflows (inflows), and all liabilities associated with the operation of these funds are included on the Statement of Net Position. The fund equity is segregated into three categories: net investment in capital assets, restricted net position, and unrestricted net position.

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. This District's private-purpose trust fund's activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. The District uses a custodial fund to account for assets held for student groups. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The fiduciary funds are presented on an economic resources measurement focus and the accrual basis of accounting, similar to the government-wide financial statements.

The District reports the following major governmental funds:

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

Debt Service Fund – The Debt Service Fund accounts for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term general obligations of governmental funds.

Additionally, the District reports the following fund types:

Governmental Funds:

Special Revenue Funds – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a Special Revenue Fund. Most federal and some state financial assistance is accounted for in a Special Revenue Fund.

Capital Projects Fund – The Capital Projects Fund is used to account for the proceeds of the Unlimited Tax School Building Bonds, Series 2020 and the associated acquisition, construction, renovation and equipment of school facilities in the District.

Proprietary Funds:

Enterprise Fund – The District's Enterprise Fund is the Panther Kids Fund which accounts for its afterschool childcare program. Outside users are charged a fee roughly equal to the cost of providing the goods or services of those activities.

Internal Service Fund – The District accounts for information technology services provided to other departments on a cost reimbursement basis.

Fiduciary Funds:

Private Purpose Trust Fund – The District accounts for donations for which the donor has stipulated that the principal be expended for a specific purpose. The District's Private Purpose Trust Fund is the Scholarship Fund.

Custodial Fund – These funds account for the activities of student groups. This accounting reflects the District's custodial relationship with student activity organizations.

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

1. Deposits and Investments

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 for the District are reported at fair value, except for its position in investment pools. Investments in external local government investment pools are reported at net asset value per share, which approximates fair value.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Property taxes are levied as of October 1 on property values assessed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the following year in which imposed. On January 31 of each year, a tax lien attaches to property to secure payment of all taxes, penalties, and interest ultimately imposed.

Tax collections are prorated between the General Fund and Debt Service Fund based on the tax rate approved by the Board. For the year ended June 30, 2025, the rates were \$0.6969 and \$0.2400, respectively, per \$100 of assessed value.

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

3. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the governmental or business-type activities columns in the 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 in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Buildings, furniture, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	39
Vehicles	10
Furniture and equipment	3-7

4. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the 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. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

5. Compensated Absences

State law entitles all employees to five days of paid personal leave per year with no limit on accumulation and no restrictions on transfer among districts. The District also provides full-time employees with five additional leave days in accordance with administrative regulations. In addition to leave time, each full-time employee earns five paid days of vacation days per school year in accordance with administrative regulations.

Any unused leave accumulates without monetary value and is not paid upon termination. The District has estimated amounts of state and local days more likely than not to be used using historical data and recorded a liability on the statement of net position.

6. *Deferred outflows/inflows of resources*

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

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

7. *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.

8. *Other Post-Employment Benefits*

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

9. *Fund Balance Classification*

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

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. Nonspendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

- **Restricted:** This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- **Committed:** This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by board resolution of the School Board, the District's highest level of decision-making authority. These amounts cannot be used for any other purpose unless the School Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- **Assigned:** This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the School Board or Superintendent.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by the offsetting of assigned fund balance amounts.

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

The Board has established a policy of maintaining a minimum fund balance of 25% of the budget adopted in the following year.

10. Net Position

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

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.

11. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

12. Data Control Codes

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

II. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Midway Independent School District's investment policies and types of investments are governed by the Public Funds Investment Act ("PFIA"). The act authorizes the District to invest in obligations of the U.S. Treasury or the State of Texas, certain U.S. agencies, certificates of deposit, money market savings accounts, certain municipal securities, repurchase agreements, common trust funds and investment pools. The District's management believes that it complied with the requirements of the PFIA and the District's investment policies.

The District's temporary investments are held with Lone Star and MBIA Texas Class Investment Pools. Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares. The pools are valued and reported at amortized cost.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. 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. At June 30, 2025, the District's deposits were covered by FDIC insurance or collateralized with securities held by the District's agent in the District's name.

Credit Risk – Investments

The District policy of managing credit risk is to diversify the investment portfolio in terms of investment instruments, maturity scheduling and financial institutions.

Interest Rate Risk – Investments

The District manages its interest rate risk by diversifying the investment portfolio's investment types and maturity scheduling.

The District's investments consisted of the following at June 30, 2025.

<u>Investment Type</u>	<u>Reported Value</u>	<u>Standar & Poor's</u>	<u>Weighted Average Maturity (Days)</u>
Lone Star Investment Pool	\$ 55,540,523	AAAm	26
Certificates of Deposit	<u>3,081,231</u>	N/A	36
	58,621,754		
Plus: Depository Cash	<u>4,022,866</u>		
Total Cash and Investments	<u>\$ 62,644,620</u>		

These public funds investment pools are reported with cash and cash equivalents in the financial statements. Current Investments reported in the financial statements consist of certificates of deposits that have maturities ranging from three to twelve months.

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

B. Receivables

The District's disaggregation of receivables is summarized as follows:

	General Fund	Debt Service
Current and delinquent property taxes	\$ 1,145,552	\$ 392,976
Allowance for uncollectible taxes	(297,844)	(102,174)
Miscellaneous receivables	27,766	-
Total receivables, net of allowance	<u>\$ 875,474</u>	<u>\$ 290,802</u>

C. Capital Assets

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

	Beginning Balance 7/1/24	Increases	Decreases	Ending Balance 6/30/25
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 11,013,386	\$ -	\$ -	\$ 11,013,386
Construction in progress	-	182,000	-	182,000
Total capital assets, not being depreciated	<u>11,013,386</u>	<u>182,000</u>	<u>-</u>	<u>11,195,386</u>
Capital assets, being depreciated:				
Buildings	323,935,226	785,000	-	324,720,226
Furniture and equipment	<u>22,997,310</u>	<u>247,525</u>	<u>-</u>	<u>23,244,835</u>
Total capital assets, being depreciated	<u>346,932,536</u>	<u>1,032,525</u>	<u>-</u>	<u>347,965,061</u>
Less accumulated depreciation for:				
Buildings	(101,710,035)	(8,934,400)	-	(110,644,435)
Furniture and equipment	<u>(14,577,673)</u>	<u>(2,009,216)</u>	<u>-</u>	<u>(16,586,889)</u>
Total accumulated depreciation	<u>(116,287,708)</u>	<u>(10,943,616)</u>	<u>-</u>	<u>(127,231,324)</u>
Capital assets, being depreciated, net	<u>230,644,828</u>	<u>(9,911,091)</u>	<u>-</u>	<u>220,733,737</u>
Governmental activities capital assets, net	<u>\$ 241,658,214</u>	<u>\$ (9,729,091)</u>	<u>\$ -</u>	<u>\$ 231,929,123</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Instruction	\$ 6,823,412
Instructional resources and media services	174,689
Curriculum development and instructional staff development	34,130
Instructional leadership	150,282
School leadership	104,557
Guidance, counseling and evaluation services	39,486
Health services	21,923
Student (pupil) transportation	518,505
Food services	331,646
Extracurricular activities	1,411,348
General administration	163,856
Plant maintenance and operations	1,055,708
Data processing services	<u>114,074</u>
Total depreciation expense - governmental activities	<u>\$ 10,943,616</u>

D. Interfund Receivables and Payables

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

<u>Due to</u>	<u>Due from</u>	<u>Amount</u>
General fund	Nonmajor governmental	\$ 705,378
		<u>\$ 705,378</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

E. Unearned Revenue

Governmental funds report *unearned revenue* in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *unearned revenue* reported in the governmental funds were as follows:

	<u>Nonmajor Governmental</u>
Unspent grant proceeds	\$ 105,190
Prepaid food service accounts	<u>99,489</u>
Total unearned revenue	<u>\$ 204,679</u>

F. Long-term Liabilities

The following is a summary of changes in long-term liabilities:

	<u>Beginning Balance, As Restated</u>	<u>Additions</u>	<u>Retired / Refunded</u>	<u>Ending Balance 6/30/25</u>	<u>Due Within One Year</u>
<i>Governmental activities:</i>					
General obligation bonds	\$ 170,740,000	\$ -	\$ 13,260,000	\$ 157,480,000	\$ 11,330,000
Financing arrangements	3,390,300	-	1,130,100	2,260,200	1,130,100
Premium on bonds	<u>23,912,362</u>	<u>-</u>	<u>2,481,418</u>	<u>21,430,944</u>	<u>-</u>
Total long-term debt	198,042,662	-	16,871,518	181,171,144	12,460,100
Compensated absences	4,901,494	432,895	-	5,334,389	1,823,009
Net pension liability	27,835,530	-	2,772,823	25,062,707	-
Net OPEB liability	<u>12,876,064</u>	<u>5,084,530</u>	<u>-</u>	<u>17,960,594</u>	<u>-</u>
Total long-term liabilities	<u>\$ 243,655,750</u>	<u>\$ 5,517,425</u>	<u>\$ 19,644,341</u>	<u>\$ 229,528,834</u>	<u>\$ 14,283,109</u>

Increases and decreases to compensated absences are reported in the schedule above as a net amount. The General Fund and special revenue funds have historically liquidated the pension and OPEB liabilities.

Bonds Payable

A summary of changes in general obligation bonds payable for the year ended June 30, 2025, is as follows:

Description	Interest Rate Payable	Amounts Original Issue	Retired	Amounts Outstanding 6/30/25
2015 Unlimited Tax Refunding	2% - 5%	\$ 37,285,000	\$ 6,955,000	\$ 9,615,000
2017 Unlimited Tax Refunding	4% - 4.5%	8,390,000	-	4,160,000
2018 Unlimited Tax Refunding	2% - 4%	3,860,000	695,000	950,000
2020 Unlimited Tax School Bldg	2% - 5%	125,395,000	3,900,000	119,065,000
2020 Unlimited Tax Refunding	1.24% - 5%	14,705,000	1,710,000	11,190,000
2021 Unlimited Tax Refunding	2% - 5%	12,500,000	-	12,500,000
Total bonds payable			<u>\$ 13,260,000</u>	<u>\$ 157,480,000</u>

Presented below is a summary of general obligation bond requirements to maturity:

Year Ending June 30,	General Requirements		Total Requirements
	Principal	Interest	
2026	\$ 11,330,000	\$ 5,802,297	\$ 17,132,297
2027	15,280,000	5,258,747	20,538,747
2028	5,715,000	4,806,247	10,521,247
2029	8,890,000	4,465,751	13,355,751
2030	9,210,000	4,083,371	13,293,371
2031-2035	46,545,000	14,190,369	60,735,369
2036-2040	49,650,000	5,492,600	55,142,600
2041-2045	<u>10,860,000</u>	<u>162,900</u>	<u>11,022,900</u>
Total	<u>\$ 157,480,000</u>	<u>\$ 44,262,282</u>	<u>\$ 201,742,282</u>

During each year while bonds are outstanding, the District is required to levy and collect sufficient property taxes to provide for the payment of principal and interest as it becomes due. The revenue and bond payments are accounted for in the Debt Service Fund.

The District's outstanding bonds payable contain a provision that in the event of default, outstanding amounts will be paid from the corpus of the Texas Permanent School Fund.

Defeasance of Long-term Debt. During Fiscal Year 2025, the District defeased in substance an additional portion of its Unlimited Tax School Building Bonds, Series 2020 using existing resources on hand. The resources were accumulated as a result of excess Interest and Sinking property tax revenues than were necessary for debt service. The District placed \$2,821,841 (net of costs of defeasance) into an irrevocable trust to pay the debt service until the call date in August 2027. The outstanding principal of \$2,590,000 is considered defeased and has been removed from the District's financial statements.

Defeased Debt Outstanding. Because the District is no longer the obligor for defeased bonds, they are removed from the District's financial statements. As of June 30, 2025, the total outstanding defeased bonds is \$5,145,000; of this amount, \$2,555,000 will be callable in fiscal year 2027 and \$2,590,000 will be callable in fiscal year 2028.

Arbitrage. 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. The District has engaged an arbitrage consultant to perform the calculations in accordance with IRS rules and regulations. During fiscal year 2025, the District rebated \$364,982 to the IRS for its Series 2020 bonds; as of June 30, 2025, no remaining arbitrage liabilities are reported.

Financing Arrangements

The District has entered into an arrangement to finance the purchase of equipment. The District retains title to the underlying equipment during and after the duration of the agreement. The arrangements are direct borrowings and are secured by the financed assets. Details on the arrangements outstanding as of June 30, 2025, is as follows:

	Issue Amount	Maturity	Rate	Balance
<u>Governmental activities</u>				
iPads Master Lease 2024	\$ 4,520,400	2027	0%	\$ 2,260,200
Total Financing Arrangements				<u>\$ 2,260,200</u>

Presented below is a summary of financing arrangement requirements to maturity:

Year Ending June 30,	Financing Arrangements		Total Requirements
	Principal	Interest	
2026	\$ 1,130,100	\$ -	\$ 1,130,100
2027	<u>1,130,100</u>	<u>-</u>	<u>1,130,100</u>
Total	<u>\$ 2,260,200</u>	<u>\$ -</u>	<u>\$ 2,260,200</u>

III. OTHER INFORMATION

A. Defined Benefit Pension Plan

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

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

Pension Plan Fiduciary Net Position. Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately issued Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the internet at <https://www.trs.texas.gov/learning-resources/publications>; by writing to TRS at attention Finance Division, P.O. Box 149676, Austin, TX, 7814-0185, or by calling (800) 223-8778.

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

One-Time Stipends

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

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

Cost-of-Living Adjustment

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

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

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

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

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

	Contribution Rates	
	2024	2025
Member	8.25%	8.25%
Non-Employer Contributing Entity (State)	8.25%	8.25%
Employers	8.25%	8.25%
Current Fiscal Year Employer Contributions		\$ 2,468,962
Current Fiscal Year Member Contributions		5,496,234
2024 NECE On-behalf Contributions		3,916,493

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

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

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

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

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

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

Valuation Date	August 31, 2023 rolled forward to August 31, 2024
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%
Long-term expected Investment Rate of Return	7.00%
Municipal Bond Rate as of August 2024	3.87%
Last Year Ending August 31 in Projection Period (100 Years)	2123
Inflation	2.30%
Salary increases including inflation	2.95% to 8.95%
Ad hoc post-employment benefit changes	None

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

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

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

The long-term rate of return on pension plan investment is 7.00%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2024 are summarized below:

Asset Class	Target Allocation ²	Long-Term Expected Geometric Real Rate of Return ³	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.00%	4.40%	1.00%
Non-US Developed	13.00%	4.20%	0.80%
Emerging Markets	9.00%	5.20%	0.70%
Private Equity	14.00%	6.70%	1.20%
Stable Value			
Government Bonds	16.00%	1.90%	0.40%
Absolute Return ¹	0.00%	4.00%	0.00%
Stable Value Hedge Funds	5.00%	3.00%	0.20%
Real Return			
Real Estate	15.00%	6.60%	1.20%
Energy, Natural Resources and Infrastructure	6.00%	5.60%	0.40%
Commodities	0.00%	2.50%	0.00%
Risk Parity			
Risk Parity	8.00%	4.00%	0.40%
Leverage			
Cash	2.00%	1.00%	0.00%
Asset Allocation Leverage	-6.00%	1.30%	-0.10%
Inflation Expectation			2.40%
Volatility Drag ⁴			-0.70%
Expected Return	100.00%		7.90%

¹ Absolute Return includes Credit Sensitive Investments.

² Target allocations are based on the FY2024 policy model.

³ Capital Market Assumptions (CMA) come from 2024 SAA Study CMA Survey (as of 12/31/24)

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

Discount Rate Sensitivity Analysis. The following schedule presents the net pension liability of the plan using the discount rate of 7%, and what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6%) or one percentage 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's proportionate share of the net pension liability:	\$ 40,031,493	\$ 25,062,707	\$ 12,660,003

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2025, the District reported a liability of \$25,062,707 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	\$ 25,062,707
State's proportionate share that is associated with the District	<u>42,452,653</u>
Total	<u>\$ 67,515,360</u>

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

At August 31, 2024 the employer's proportion of the collective net pension liability was 0.0410297861% which was an increase of 0.0005065834% from its proportion measured as of August 31, 2023.

Changes in Assumptions and Benefits Since the Prior Actuarial Valuation. The actuarial assumptions and methods are the same as used in the determination of the prior year's net pension liability.

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

For the year ended June 30, 2025, the District recognized pension expense of \$8,461,488 and revenue of \$5,073,802 for support provided by the State.

At June 30, 2025, the District's 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	\$ 1,381,422	\$ 195,677
Changes in actuarial assumptions	1,294,041	173,487
Difference between projected and actual investment earnings	152,348	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,696,671	394,693
Contributions paid to TRS subsequent to the measurement date	<u>2,097,126</u>	<u>-</u>
Total	<u>\$ 6,621,608</u>	<u>\$ 763,857</u>

The District recognized \$2,097,126 as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2026. The other amounts of the District's balances of deferred outflows and inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year ended June 30,</u>	<u>Pension Expense</u>
2026	\$ 304,337
2027	3,079,365
2028	685,691
2029	(423,395)
2030	114,627

B. Defined Other Post-Employment Benefit Plans

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

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

OPEB Plan Fiduciary Net Position. Detailed information about the TRS-Care's fiduciary net position is available in the separately issued TRS Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://www.trs.texas.gov/learning-resources/publications>; by writing to TRS at P.O. Box 149676, Austin, TX, 78714-0185; or by calling (800) 223-8778.

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

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

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

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of salary. Section 1575.204 establishes 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 employer. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act, which is 0.75% of each active employee's pay for fiscal year 2024. The following table shows contributions to the TRS-Care plan by type of contributor.

	Contributions Rates	
	2024	2025
Active employee	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%
Current fiscal year employer contributions		\$ 553,787
Current fiscal year member contributions		433,040
2024 measurement year NECE on-behalf contributions		673,502

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

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

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The demographic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2021. The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2023 TRS pension actuarial valuation that was rolled forward to August 31, 2024:

Rates of Mortality	Rates of Disability
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:

Valuation Date	August 31, 2023 rolled forward to August 31, 2024
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.87% as of August 31, 2024
Aging Factors	Based on the Society of Actuaries' 2013 Study "Health Care Costs - From Birth to Death".
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases	2.95% to 8.95%, including inflation
Healthcare Trend Rates	The initial medical trend rates were 6.75 percent for non-Medicare retirees. For Medicare retirees, trend rates are higher in the first two years due to anticipated growth but thereafter match those of non-Medicare retirees. The initial prescription drug trend rate was 7.25 percent for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25 percent over a period of 11 years.
Election Rates	Normal Retirement: 62% participation 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 post-employment 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 Bond Buyer's "20-Bond GO Index" as of August 31, 2024, using the Fixed Income Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

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

	1% Decrease in Discount Rate 2.87%	Discount Rate 3.87%	1% Increase in Discount Rate 4.87%
Proportionate share of net OPEB liability	\$ 21,338,025	\$ 17,960,594	\$ 15,231,579

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

	1% Decrease in Healthcare Trend Rate	Current Single Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
Proportionate share of net OPEB liability	\$ 14,626,237	\$ 17,960,594	\$ 22,305,593

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At June 30, 2025, the District reported a liability of \$17,960,594 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 17,960,594
State's proportionate share that is associated with the District	<u>22,504,381</u>
Total	<u>\$ 40,464,975</u>

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

At August 31, 2024 the District's proportion of the collective net OPEB liability was 0.0591752466% which was an increase of 0.0010133228% from its proportion measured as of August 31, 2023.

Changes Since the Prior Actuarial Valuation. The following were changes to the actuarial assumptions or other inputs that affected measurement of the total OPEB liability (TOL) since the prior measurement period:

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

Changes of Benefit Terms Since the Prior Measurement Date There were no changes in benefit terms since the prior measurement date.

For the year ended June 30, 2025, the District recognized OPEB expense of \$(4,641,038) and revenue of \$(2,925,154) for support provided by the State.

At June 30, 2025, the District reported its proportionate share of the TRS'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 actuarial experiences	\$ 3,442,443	\$ 8,963,310
Changes in actuarial assumptions	2,298,744	5,860,334
Differences between projected and actual investment earnings	-	50,296
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	2,469,857	264,149
Contributions paid to OPEB subsequent to the measurement date	<u>464,632</u>	<u>-</u>
Total as of fiscal year-end	<u>\$ 8,675,676</u>	<u>\$ 15,138,089</u>

The District recognized \$464,632 as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2026. The other amounts of the District's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>For the Year Ended June 30,</u>	<u>OPEB Expense</u>
2026	\$ (2,094,206)
2027	(1,280,750)
2028	(1,735,321)
2029	(1,381,108)
2030	(767,505)
Thereafter	331,845

C. Health Care Coverage

During the year ended June 30, 2025, employees of the District were covered by a state-wide health care plan, TRS Active Care. The District's participation in this plan is renewable annually. The District paid into the Plan \$479 per month per employee. Employees, at their option, pay premiums for any coverage above these amounts as well as for dependent coverage.

The Teachers Retirement System (TRS) manages TRS Active Care. The medical plan is administered by Blue Cross and Blue Shield of Texas, FIRSTCARE and Scott and White HMO. Medco Health administers the prescription drug plan. The latest financial information on the state-wide plan may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

D. Medicare Part D – On-behalf Payments

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments of \$428,443, \$380,780, and \$324,060 were recognized for the years ended June 30, 2025 and 2024, and the year ended August 31, 2023, respectively, as equal revenues and expenditures.

E. Risk Management

The District is exposed to various risks related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries insurance through the TASB Risk Management Fund (the Fund). There were no significant reductions in coverage in the current fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

F. Commitments and Contingencies

Contingencies

The District participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

G. New Accounting Pronouncements

Significant new accounting standards issued by the GASB not yet implemented by the District include the following:

GASB Statement No. 103, *Financial Reporting Model Improvements* – The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

GASB Statement No. 104, *Disclosure of Certain Capital Assets* – The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be presented separately in the note disclosures, including right-to-use assets related to leases, Subscription-Based Information Technology Arrangements, and public-private or public-public partnerships. Other intangible assets are also required to be presented separately by major class. Additional disclosures have also been required for capital assets held for sale. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

H. Change in Accounting Principle

During fiscal year 2025, the District implemented GASB Statement No. 101, *Compensated Absences*. The adoption of this standard resulted in the recognition of additional liabilities for compensated absences. The cumulative effect of the accounting change increased liabilities and beginning net position by \$4,901,494 in the governmental activities. The restatement of beginning net position as follows:

	6/30/24 As Previously Reported	Change in Accounting Principle	6/30/24 As Restated
Governmental activities	<u>\$ 58,280,783</u>	<u>\$ (4,901,494)</u>	<u>\$ 53,379,289</u>

I. Related Party Transactions

In Fiscal Year 2025, the District received media services related to the Midway TV streaming platform from a contractor that a member of the Board of Trustees has a material interest in. That member abstained from all board votes relating to the procurement and payment of services. Amounts paid to the contractor for the year ended June 30, 2025, were \$6,000.

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REQUIRED SUPPLEMENTARY INFORMATION

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MIDWAY INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-1

**SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND**

FOR THE YEAR ENDED JUNE 30, 2025

Data Control Codes		Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
		Original	Final		
REVENUES					
5700	Local and intermediate sources	\$ 59,467,852	\$ 60,417,852	\$ 61,110,641	\$ 692,789
5800	State program revenues	27,571,110	27,671,110	30,550,252	2,879,142
5900	Federal program revenues	850,000	850,000	624,188	(225,812)
5020	Total revenues	87,888,962	88,938,962	92,285,081	3,346,119
EXPENDITURES					
Current:					
0011	Instruction	53,203,327	53,528,327	52,773,484	754,843
0012	Instructional resources and media sources	954,117	954,117	971,449	(17,332)
0013	Curriculum and staff development	1,273,338	1,273,338	1,377,786	(104,448)
0021	Instructional leadership	2,267,210	2,567,210	2,496,885	70,325
0023	School leadership	4,908,828	4,908,828	4,893,001	15,827
0031	Guidance, counseling, and evaluation services	3,731,626	3,581,626	3,439,035	142,591
0032	Social work services	247,595	247,595	195,267	52,328
0033	Health services	971,388	971,388	960,862	10,526
0034	Student transportation	3,973,486	4,698,486	4,561,070	137,416
0036	Extracurricular activities	2,558,855	2,743,855	2,783,258	(39,403)
0041	General administration	3,676,493	3,716,493	3,679,439	37,054
0051	Facilities maintenance and operations	9,576,431	10,506,431	10,305,400	201,031
0052	Security and monitoring services	968,719	993,719	1,032,340	(38,621)
0053	Data processing services	1,216,546	1,216,546	1,190,609	25,937
0061	Community services	72,400	72,400	61,335	11,065
0081	Capital outlay	-	1,015,100	613,278	401,822
0099	Other governmental charges	725,000	775,000	725,836	49,164
6030	Total expenditures	90,325,359	93,770,459	92,060,334	1,710,125
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,436,397)	(4,831,497)	224,747	5,056,244
OTHER FINANCING SOURCES (USES)					
7912	Sale of property	-	-	20,705	20,705
7080	Total other financing souces (uses)	-	-	20,705	20,705
1200	NET CHANGE IN FUND BALANCES	(2,436,397)	(4,831,497)	245,452	5,076,949
0100	FUND BALANCES, BEGINNING	29,383,627	29,383,627	29,383,627	-
3000	FUND BALANCES, ENDING	\$ 26,947,230	\$ 24,552,130	\$ 29,629,079	\$ 5,076,949

MIDWAY INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM

FOR THE YEAR ENDED JUNE 30, 2025

Plan Year ended August 31,	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
District's proportion of the net pension liability (asset)	0.0410298%	0.0405232%	0.0373197%	0.0354234%
District's proportionate share of the net pension liability (asset)	\$ 25,062,707	\$ 27,835,530	\$ 22,155,727	\$ 9,021,086
State's proportionate share of the net pension liability (asset) associated with the District	<u>42,452,653</u>	<u>47,845,608</u>	<u>41,347,914</u>	<u>19,145,320</u>
Total	<u>\$ 67,515,360</u>	<u>\$ 75,681,138</u>	<u>\$ 63,503,641</u>	<u>\$ 28,166,406</u>
District's covered payroll	\$ 64,356,326	\$ 60,483,983	\$ 54,788,562	\$ 52,948,108
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	38.94%	46.02%	40.44%	17.04%
Plan fiduciary net position as a percentage of the total pension liability	77.51%	73.15%	75.62%	88.79%

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
0.0346068%	0.0389919%	0.0390397%	0.0377122%	0.0383888%	0.0391641%
\$ 18,534,696	\$ 20,269,216	\$ 21,488,419	\$ 12,058,331	\$ 14,506,564	\$ 13,843,988
<u>40,394,033</u>	<u>35,793,805</u>	<u>37,666,295</u>	<u>23,465,413</u>	<u>27,653,871</u>	<u>26,800,331</u>
<u>\$ 58,928,729</u>	<u>\$ 56,063,021</u>	<u>\$ 59,154,714</u>	<u>\$ 35,523,744</u>	<u>\$ 42,160,435</u>	<u>\$ 40,644,319</u>
\$ 51,509,667	\$ 42,824,951	\$ 45,534,370	\$ 45,057,239	\$ 45,057,239	\$ 43,715,674
35.98%	47.33%	47.19%	26.76%	32.20%	31.67%
75.54%	75.24%	73.74%	82.17%	78.00%	78.43%

MIDWAY INDEPENDENT SCHOOL DISTRICT

**SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM**

FOR THE YEAR ENDED JUNE 30, 2025

	<u>Fiscal Year Ended June 30,</u>		<u>Fiscal Year Ended August 31,</u>	
	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Contractually required contribution	\$ 2,468,962	\$ 2,233,551	\$ 2,042,280	\$ 1,741,446
Contributions in relation to the contractually required contribution	<u>(2,468,962)</u>	<u>(2,233,551)</u>	<u>(2,042,280)</u>	<u>(1,741,446)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 66,620,971	\$ 63,676,274	\$ 60,483,983	\$ 54,788,562
Contribution as a percentage of covered payroll	3.71%	3.51%	3.38%	3.18%

Fiscal Year Ended August 31,					
2021	2020	2019	2018	2017	2016
\$ 1,511,671	\$ 1,427,021	\$ 1,364,710	\$ 1,291,719	\$ 1,259,430	\$ 1,219,710
<u>(1,511,671)</u>	<u>(1,427,021)</u>	<u>(1,364,710)</u>	<u>(1,291,719)</u>	<u>(1,259,430)</u>	<u>(1,219,710)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 52,948,108	\$ 51,509,667	\$ 47,824,951	\$ 45,534,370	\$ 45,057,239	\$ 43,714,674
2.86%	2.77%	2.85%	2.84%	2.80%	2.79%

MIDWAY INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM

FOR THE YEAR ENDED JUNE 30, 2025

Plan Year ended August 31,	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
District's proportion of the net OPEB liability (asset)	0.0591752%	0.0581619%	0.0559043%	0.0565626%
District's proportionate share of the net OPEB liability (asset)	\$ 17,960,594	\$ 12,876,064	\$ 13,385,733	\$ 21,818,704
State's proportionate share of the net OPEB liability (asset) associated with the District	<u>22,504,381</u>	<u>15,536,950</u>	<u>16,328,492</u>	<u>29,232,201</u>
Total	<u>\$ 40,464,975</u>	<u>\$ 28,413,014</u>	<u>\$ 29,714,225</u>	<u>\$ 51,050,905</u>
District's covered payroll	\$ 64,356,326	\$ 60,483,983	\$ 54,788,562	\$ 52,948,108
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	27.91%	21.29%	24.43%	41.21%
Plan fiduciary net position as a percentage of the total OPEB liability	13.70%	14.94%	11.52%	6.18%

Note: Only eight years of data is presented in accordance with GASB #75, paragraph 245. "The information for all fiscal years for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
0.0561905%	0.0545242%	0.0544982%	0.0514165%
\$ 21,360,544	\$ 25,785,170	\$ 27,211,473	\$ 22,359,111
<u>28,703,450</u>	<u>34,262,722</u>	<u>39,533,897</u>	<u>36,394,393</u>
<u>\$ 50,063,994</u>	<u>\$ 60,047,892</u>	<u>\$ 66,745,370</u>	<u>\$ 58,753,504</u>
\$ 51,509,667	\$ 47,824,951	\$ 45,534,370	\$ 45,057,239
41.47%	53.92%	59.76%	49.62%
4.99%	2.66%	1.57%	0.91%

MIDWAY INDEPENDENT SCHOOL DISTRICT**SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM**

FOR THE YEAR ENDED JUNE 30, 2025

	<u>Fiscal Year Ended June 30,</u>		<u>Fiscal Year Ended August 31,</u>	
	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
Contractually required contribution	\$ 553,787	\$ 521,551	\$ 447,184	\$ 404,373
Contributions in relation to the contractually required contribution	<u>(553,787)</u>	<u>(521,551)</u>	<u>(447,184)</u>	<u>(404,373)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 66,620,971	\$ 63,676,274	\$ 60,483,983	\$ 54,788,562
Contribution as a percentage of covered payroll	0.83%	0.82%	0.74%	0.74%

Note: Only eight years of data is presented in accordance with GASB #75, paragraph 245. "The information for all fiscal years for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

Fiscal Year Ended August 31,			
2021	2020	2019	2018
\$ 388,932	\$ 375,308	\$ 339,121	\$ 326,999
<u>(388,932)</u>	<u>(375,308)</u>	<u>(339,121)</u>	<u>(326,999)</u>
\$ -	\$ -	\$ -	\$ -
\$ 52,948,108	\$ 51,509,667	\$ 47,824,951	\$ 45,534,370
0.73%	0.73%	0.71%	0.72%

MIDWAY INDEPENDENT SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2025

Budgetary Information

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the National School Breakfast and Lunch Fund which is included in the Special Revenue Funds. The District presented the General Fund and Debt Service Fund budgetary comparison schedules as required supplementary information. The National School Breakfast and Lunch Fund budgetary comparison schedule is presented as a required TEA schedule. The District is required to present the adopted and final amended budgeted revenue and expenditures for each of these funds. The District compares the final amended budget to actual revenue and expenditures.

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

1. Prior to June 20, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least 10 days' public notice of the meeting must be given.
3. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments made before the fact are reflected in the official minutes of the Board and are not made after fiscal year-end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were significant.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year-end.
5. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at June 30, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. The District had no outstanding end-of-year encumbrances.

Excess of Expenditures over Appropriations

For the year ended June 30, 2025, expenditures exceeded appropriations in the Instructional Resources and Media Sources, Curriculum and Staff Development, Extracurricular Activities, and Security and Monitoring Services functions of the General Fund by \$17,332, \$104,448, \$39,403, and \$38,621, respectively. In the Child Nutrition Program Fund, expenditures exceeded appropriations in the Food Service function by \$96,228. In the Debt Service Fund, expenditures exceeded appropriations in Interest on Long-Term Debt by \$303,736. The overages were absorbed by other functions that were under budget, as well as greater than anticipated revenues.