PRELIMINARY OFFICIAL STATEMENT
DATED FEBRUARY 12, 2026

NEW ISSUE - Book-Entry-Only

Enhanced/Unenhanced Rating:
S&P: "AAA" / "A"
PSF GUARANTEE: "Applied for"
(See "OTHER INFORMATION – Rating" and "Appendix C- THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein)

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

$14,920,000*
SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
(A Political Subdivision of the State of Texas located in Cameron County)
Unlimited Tax Refunding Bonds, Series 2026

Dated: March 15, 2026 **Due: February 15 as shown on inside cover**
Interest accrues from the Delivery Date (defined below)

PAYMENT TERMS . . . The $14,920,000* San Benito Consolidated Independent School District Unlimited Tax Refunding Bonds, Series 2026 (the "Bonds") will be issued in denominations of $5,000 or any integral multiple thereof. Interest on the Bonds will accrue from the Delivery Date (defined below) and will be payable on August 15, 2026, and each February 15 and August 15 thereafter until stated maturity or prior redemption and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive 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. DTC will act as securities depository. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof**. Principal of, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. See "THE BONDS - Paying Agent/Registrar".

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Chapter 1207, Texas Government Code ("Chapter 1207"), as amended, and an order (the "Bond Order") adopted on November 12, 2025 by the Board of Trustees (the "Board"). As permitted by Chapter 1207, the Board delegated pricing of the Bonds and certain other matters to a "Pricing Officer" who will approve a "Pricing Certificate" which will contain the final terms of sale and will complete the sale of the Bonds (the Bond Order and Pricing Certificate are jointly referred to as the "Order").

The Bonds are direct obligations of the District payable from an ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property located within the District as provided in the Order. See "THE BONDS – Authority for Issuance". **The District has applied for the Bonds to be guaranteed by the Permanent School Fund Guarantee of the State of Texas which guarantee will automatically become effective upon approval of the Bonds by the Texas Attorney General. See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM".**

PURPOSE . . . Proceeds from the sale of the Bonds will be used for (i) refunding certain outstanding obligations of the District (the "Refunded Bonds"), as more particularly described in SCHEDULE I—Schedule of refunded Bonds, in order to achieve a debt service savings and (ii) paying the costs of issuing the Bonds (see "THE BONDS – Use of Bond Proceeds").

See inside cover for Maturity Schedule, Interest Rates, Initial Yields, and CUSIP Numbers

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the initial purchaser named below (the "Underwriter") and subject to the approving opinion of the Attorney General of Texas and the approval of certain legal matters by the Law Office of Tony Torres PLLC, Edinburg, Texas, and Winstead PC, San Antonio, Texas ("Co-Bond Counsel"). See APPENDIX C - Form of Co-Bond Counsel's Opinion". Certain legal matters will be passed for the Underwriter by its counsel, McCall, Parkhurst & Horton L.L.P., Austin, Texas.

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

STIFEL

*Preliminary, subject to change.

MATURITY SCHEDULE, INTEREST RATES, INITIAL YIELDS, AND CUSIP NUMBERS*

$14,920,000*
San Benito Consolidated Independent School District
Unlimited Tax Refunding Bonds, Series 2026

CUSIP[1] Prefix:796575

Stated Maturity (February 15)	Principal Amount	Interest Rate	Initial Yield [1]	CUSIP Suffix [2]
2028	$ 1,180,000			
2029	1,245,000			
2030	1,310,000			
2031	1,375,000			
2032	1,440,000			
2033	1,510,000			
2034	1,590,000			
2035	1,670,000			
2036	1,755,000			
2037	1,845,000			

(Interest accrues from the Delivery Date.)

OPTIONAL REDEMPTION . . . The District reserves the right, at its option, to redeem the Bonds having stated maturities on and after February 15, 2037, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2036, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. See "THE BONDS– Optional Redemption of the Bonds". The Bonds may also be subject to mandatory sinking fund redemption in the event the Underwriter elects to aggregate two or more of the maturities as one or more term bonds. See "THE BONDS - Mandatory Redemption of the Bonds."

______

(1) Initial yield represents the initial offering yield to the public which has been established by the Underwriter for offers to the public by the Underwriter as their sole responsibility which may be subsequently changed.
(2) CUSIP numbers are included solely for the convenience of the owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems, Inc. on behalf of The American Bankers Association. No assurance can be given that the CUSIP number for the Bonds will remain the same after the date of delivery of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the District, the Financial Advisor (as defined herein), nor the Underwriter are responsible for the selection, changes to, or correctness of the CUSIP numbers set forth herein.

* Preliminary, subject to change.

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For purposes of compliance with Rule 15c2-12 of the United States Securities Exchange Commission (the "Rule 15c 2-12"), this Preliminary Official Statement 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 no more than the information permitted by Rule 15c2-12.

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

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

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

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

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

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE BONDS HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF. THE BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

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

Neither the District, the Underwriter, nor the Financial Advisor make any representation or warranty with respect to the information contained in this Official Statement regarding the Depository Trust Company, New York, New York ("DTC") or its Book-Entry-Only System or the affairs of the Texas Education Agency ("TEA") described under "APPENDIX C- THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM".

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

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

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

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 San Benito Consolidated Independent School District is a political subdivision located in Cameron County, Texas. The District is an agricultural area that includes the City of San Benito with a 2020 population of 24,861, a 2.52% increase since 2010. The City is a commercial center located eight miles south of Harlingen on U.S. Highway 83. The surrounding area is a highly cultivated region which excels in citrus and vegetable production. See “INTRODUCTION – Description of the District” herein. The District is governed by a seven-member Board of Trustees (the “Board”) who serve staggered four-year terms with elections being held in November of every even-numbered year. Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools who is the chief administrative officer of the District.
THE BONDS	The $14,920,000* Unlimited Tax Refunding Bonds, Series 2026 (the “Bonds”) shall mature on the dates and in the amounts set forth on the inside cover page of this Official Statement. See “THE BONDS – Description of the Bonds” herein.
PAYMENT OF INTEREST.........	Interest on the Bonds accrues from the Delivery Date, and is payable on August 15, 2026, and each February 15 and August 15 of each year thereafter, until stated maturity or upon prior redemption See “THE BONDS – Description of the Bonds”.
AUTHORITY FOR ISSUANCE ..	The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the “State”), including, Chapter 1207, Texas Government Code, as amended (“Chapter 1207”), and an order (the “Bond Order”) adopted on November 12, 2025 by the Board of Trustees (the “Board”) in which the Board delegated pricing of the Bonds and certain other matters to a “Pricing Officer” who will approve a “Pricing Certificate” which will contain the final terms of sale and will complete the sale of the Bonds (the Bond Order and Pricing Certificate are jointly referred to as the “Order”).
SECURITY FOR THE BONDS ...	The Bonds constitute direct obligations of the District, payable from a continuing direct annual ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property within the District. Additionally, for the District has applied for the Bonds to be guaranteed by the Permanent School Fund Guarantee Program of the State of Texas which guarantee will automatically become effective when the Attorney General of Texas approves the Bonds. See “APPENDIX C – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM”.
PURPOSE...............................	Proceeds from the sale of the Bonds will be used for (i) to refund certain outstanding obligations of the District (the “Refunded Bonds”), as more particularly described in SCHEDULE I—Schedule of refunded Bonds, in order to achieve a debt service savings and (ii) paying the costs of issuing the Bonds (see “PLAN OF FINANCE – Use of Bond Proceeds”).
PERMANENT SCHOOL FUND GUARANTEE	The District has applied for the Bonds to be guaranteed by the Permanent School Fund Guarantee Program of the State of Texas. See APPENDIX C–“THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM”.
OPTIONAL REDEMPTION	The District reserves the right to redeem the Bonds maturing on and after February 15, 2037 in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2036 or any date thereafter, at the redemption price of par plus accrued interest to the date of redemption as further described herein. See “THE BONDS – Optional Redemption” herein. The Bonds may also be subject to mandatory sinking fund redemption in the event the Underwriter elect to aggregate two or more of the maturities as a term bond. See "THE BONDS - Mandatory Redemption of the Bonds."
TAX EXEMPTION	In the opinion of Co-Bond Counsel, the interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law, and subject to the matters described under the caption “TAX MATTERS” herein.

* Preliminary, subject to change.

RATINGS .... The Bonds have been rated "A" by S&P Global Ratings ("S&P") without regard to credit enhancement and "AAA" by S&P through by virtue of the guarantee of the corpus of the Permanent School Fund of the State of Texas. See "OTHER INFORMATION - Ratings" and "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM".

BOOK – ENTRY – ONLY SYSTEM .... The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC, pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See "THE BONDS - Book-Entry-Only System".

PAYMENT RECORD .... The District has never defaulted in payment of its tax supported debt.

LEGAL OPINION .... 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 the Law Office of Tony Torres PLLC, Edinburg, Texas and Winstead PC, San Antonio, Texas, as Co-Bond Counsel to the District.

DELIVERY .... When issued, anticipated on or about March 18, 2026.

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SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 30-Jun	Estimated Population [(1)]	Net Taxable Assessed Valuation [(2)]	Percent Increase Over Prior Year	Tax Supported Debt at End Of Year	Ratio of Debt to Assessed Valuation
2022	43,092	$ 1,186,131,667	1.90%	$ 86,290,000	7.27%
2023	42,491	1,247,934,817	5.21%	82,035,000	6.57%
2024	41,025	1,361,716,765	9.12%	77,560,000	5.70%
2025	40,795	1,622,634,422	19.16%	72,845,000	4.49%
2026	44,180	1,671,121,383	2.99%	64,920,397 [(3)]	3.88%

(1) Sourced from Texas Municipal Advisory Council.
(2) The valuations shown are the certified Taxable Assessed Valuations after adjustments for Exemptions and Freeze Loss reported annually in September to the County Appraisal District. The valuations are subject to change during the ensuing year due to the settlement of contested valuation, and other matters.
(3) Includes the Bonds. Preliminary, Subject to Change.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	Year Ended June 30,				
	2025	2024	2023	2022	2021
Fund Balance-Beginning of Year	$ 49,823,151	$ 56,193,139	$ 56,225,908	$ 45,636,913	$ 21,183,525
Total Revenues	112,735,463	108,809,439	109,151,765	114,382,793	113,592,532
Total Expenditures	119,619,205	113,247,008	107,269,282	102,933,540	87,719,396
Other Uses	(2,163,476)	(1,932,419)	(1,915,252)	(860,257)	(1,419,748)
Fund Balance - End of Year	$ 40,775,933	$ 49,823,151	$ 56,193,139	$ 56,225,908	$ 45,636,913

Sourced from Districts ACFR.

For additional information regarding the District, please contact:

Alfredo F. Perez
Superintendent of Schools
Victoria N. Perez
Assistant Superintendent of Finance and Operations
240 N. Crockett St.
San Benito, TX 78586
(956) 361-6100

or

Dr. Miguel de los Santos
Dr. Angel Magallanes
Estrada Hinojosa
1508 S. Lone Star Way,

Suite 1
Edinburg, Texas 78539
(956) 393-7606

DISTRICT OFFICIALS' ADMINISTRATION AND CONSULTANTS

ELECTED OFFICIALS

Board of Trustees	Term Expires	Length of Service	Occupation
Dr. Ariel Cruz-Vela President	2027	5 Years	Pharmacist
Crystal Hernandez Vice-President	2027	1.8 Years	Education
Israel Villarreal, III Secretary	2027	1.8 Years	Entrepreneur
Orlando López Trustee	2026	9 Years	Medical Field
Rudy Corona Trustee	2026	6 Years	AT&T
Frutoso M. Gomez, Jr. Trustee	2026	4 Years	Retired
Alejandro Reyna Trustee	2026	3 Years	Retired

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service With the District
Mr. Alfredo F. Perez	Superintendent of Schools	15 Years
Mrs. Victoria N. Perez	Assistant Superintendent of Finance and Operations	5 Years

CONSULTANTS AND ADVISORS

Auditors .... Carr, Riggs & Ingram, LLC
Harlingen, Texas

Financial Advisor .... TRB Capital Markets, LLC dba Estrada Hinojosa
Edinburg, Texas

Co-Bond Counsel .... Law Office of Tony Torres PLLC
Edinburg, Texas

Winstead PC
San Antonio, Texas

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PRELIMINARY OFFICIAL STATEMENT

RELATING TO

$14,920,000*
SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
(A Political Subdivision of the State of Texas Located in Cameron County)
Unlimited Tax Refunding Bonds, Series 2026

INTRODUCTION

This Official Statement, Schedule I and the Appendices hereto, provide certain information regarding the issuance of the $14,920,000* San Benito Consolidated Independent School District Unlimited Tax Refunding Bonds, Series 2026 (the "Bonds"). Capitalized terms used in this Official Statement not otherwise defined herein have the same meanings assigned to such terms in the order (the "Bond Order") adopted on November 12, 2025 by the Board of Trustees (the "Board") in which the Board delegated pricing of the Bonds and certain other matters to a "Pricing Officer" who will approve a "Pricing Certificate" which will contain the final terms of sale and will complete the sale of the Bonds (the Bond Order and Pricing Certificate are jointly referred to as the "Order").

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

There follows in this Official Statement descriptions of the Bonds and certain information regarding the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District's Financial Advisor, Estrada Hinojosa, Edinburg, Texas, upon payment of reasonable copying, handling and delivery charges.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of the Official Statement will be deposited with the Municipal Securities Rulemaking Board, through its Electronic Municipal Market Access ("EMMA") system. See "OTHER INFORMATION - Continuing Disclosure of Information" for a description of the District's undertaking to provide certain information on a continuing basis.

DESCRIPTION OF THE DISTRICT . . . San Benito Consolidated Independent School District is located in the City of San Benito, Texas. The District operates as an independent school district under the laws of the State of Texas (the "State") and is governed by a seven-member Board. The Board serves three-year staggered terms. Board policy and decisions are decided by a majority vote of the Board. The Board selects the Superintendent of Schools; other District officials are employed as a result of action by the Superintendent and the Board. The total area of the District is 101 square miles.

The District's physical plant consists of eleven elementary schools (grades PK through 5), four middle schools (grades 6 through 8), one ninth grade campus, one high school (grades 10 through 12), and four alternative campuses.

PLAN OF FINANCE

PURPOSE . . . Proceeds from the sale of the Bonds will be used for (i) to refund certain outstanding obligations of the District (the "Refunded Bonds"), as more particularly described in SCHEDULE I—Schedule of Refunded Bonds, in order to achieve a debt service savings and (ii) paying the costs of issuing the Bonds (see "PLAN OF FINANCE – Use of Bond Proceeds").

REFUNDED BONDS . . . The principal of and interest due on the Refunded Bonds are to be paid on their scheduled redemption date of such Refunded Bonds from funds to be deposited pursuant to an escrow agreement (the "Escrow Agreement") between the District and BOKF, NA, Dallas, Texas (the "Escrow Agent"). The Order provides that from a portion of the proceeds of the sale of the Bonds received from the Underwriter (as defined on the cover hereof) and other District funds, if any, the District will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Bonds on their redemption date. Such funds will be held by the Escrow Agent in a special account pursuant to the Escrow Agreement (the "Escrow Fund") and held in cash or used to purchase direct obligations of the United States of America or other permitted defeasance securities (the "Escrow Securities"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal and interest on the Refunded Bonds.

Prior to, or simultaneously with, the issuance of the Bonds, the District will give irrevocable instructions to provide notice to the owners of the Refunded Bonds that the Refunded Bonds will be redeemed prior to stated maturity on which date money will be made available to redeem the Refunded Bonds from money held under the Escrow Agreement.

Causey Public Finance, LLC, Denver, Colorado (the "Verification Agent") will verify at the time of initial delivery of the Bonds to the Underwriter thereof the mathematical accuracy of the schedules prepared by the Financial Advisor (defined herein), that demonstrate the Escrow Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Refunded Bonds (see "OTHER INFORMATION - Verification of Arithmetical Mathematical Computations"). Such maturing principal of and interest on the Escrow Securities will not be available to pay the Bonds.

*Preliminary, subject to change.

By the deposit of the Escrow Securities and cash, if necessary, with the Escrow Agent pursuant to the Escrow Agreement, the District will have effectuated the defeasance of the Refunded Bonds in accordance with law. It is the opinion of Co-Bond Counsel (defined herein), and in reliance upon the report of the Verification Agent (the "Report"), firm banking and financial arrangements will have been made for the discharge and final payment of the Refunded Bonds pursuant to the Escrow Agreement and the Refunded Bonds will be outstanding only for the purpose of receiving payments from the Escrow Securities and any cash held for such purpose by the Escrow Agent and such Refunded Bonds will not be deemed as being outstanding obligations of the District payable from taxes nor for the purpose of applying any limitation on the issuance.

The District has covenanted in the Escrow Agreement to make timely deposits to the Escrow Fund, from lawfully available funds, of any additional amounts required to pay the principal of and interest on the Refunded Bonds, if for any reason, the cash balances on deposit or scheduled to be on deposit in the Escrow Fund are insufficient to make such payment. Upon defeasance of the Refunded Bonds, the payment of such Refunded Bonds will no longer be guaranteed by the Permanent School Fund.

THE BONDS

DESCRIPTION OF THE BONDS. . . The Bonds will be issued in denominations of $5,000 or any integral multiple thereof. Interest on the Bonds will accrue from the Delivery Date and will be payable on February 15 and August 15 of each year commencing August 15, 2026, until stated maturity or prior redemption and will be calculated on the basis of a 360-day year of twelve 30-day months.

The 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 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**. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS - Book-Entry-Only System" herein.

If the date for any payment due on any Bond is a Saturday, Sunday, legal holiday, or day on which banking institutions in the city in which the designated corporate trust office of the Paying Agent/Registrar is located is authorized by law or executive order to close, then the date for such payment will be the next succeeding day which is not such a day. The payment on such date has the same force and effect as if made on the original date payment was due.

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State, including particularly Chapter 1207, Texas Government Code, as amended ("Chapter 1207"), and the Order.

SECURITY AND SOURCE OF PAYMENT . . . All taxable property within the District is subject to a continuing direct annual ad valorem tax levied by the District, without legal limit as to rate or amount, sufficient to provide for the payment of principal of and interest on all Bonds. **Additionally, the District has applied for the Bonds to be guaranteed by the Permanent School Fund Guarantee Program of the State of Texas.**

PERMANENT SCHOOL FUND GUARANTEE. . . In connection with the sale of the Bonds, the District has submitted an application for the Bonds to be guaranteed by the Permanent School Fund Guarantee of the State. Subject to meeting certain conditions discussed under the heading "APPENDIX C -THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein, the Bonds will be absolutely and unconditionally guaranteed by the corpus of the Permanent School Fund upon approval of the Bonds by the Attorney General. In the event of default, registered owners will receive all payments due from the corpus of the Permanent School Fund.

PERFECTION OF SECURITY INTEREST. . .Chapter 1208, Texas Government Code, as amended, applies to the issuance of the Bonds and the ad valorem tax pledge thereto and such pledge is, therefore, valid, effective, and perfected. Should Texas law be amended at anytime while the Bonds are outstanding and unpaid, the result of such amendment being that the pledge of ad valorem taxes are to be subject to the filing requirements of Chapter 9, Texas Business and Commerce Code, in order to preserve to the registered owners of the Bonds a security interest in such pledge, the District agrees to take such measures as it determines are reasonable and necessary to enable a filing of a security interest in said pledge to occur.

OPTIONAL REDEMPTION OF THE BONDS . . . The District reserves the right, at its option, to redeem the Bonds having stated maturities on and after February 15, 2037, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2036 or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

If less than all of the Bonds of any maturity are to be redeemed, the District shall determine the amounts of each maturity or maturities to be redeemed and shall direct the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) to select by lot the Bonds, or portions thereof, within such maturity or maturities to be redeemed. If a Bond (or any portion of the principal sum 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.

MANDATORY REDEMPTION OF THE BONDS . . . The Bonds may also be subject to mandatory sinking fund redemption in the event the Underwriter elects to aggregate two or more maturities as one or more term bonds.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to a redemption date for the Bonds, the District shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to each registered owner of a Bond to be redeemed, in whole or in part, at the address of the holder appearing on the Bond Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER ONE OR MORE BONDHOLDERS FAILED TO RECEIVE SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

In the Order, the District reserves the right in the case of a redemption to give notice of its election or direction to redeem Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date or (ii) the District retains the right to rescind such notice at any time prior to the scheduled redemption date if the District delivers a certificate of the District to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Bonds subject to conditional redemption where redemption has been rescinded shall remain outstanding, and the rescission shall not constitute an event of default. Further, in the case of a conditional redemption, the failure of the District to make moneys and/or authorized securities available in part or in whole on or before the redemption date shall not constitute an event of default.

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

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 name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District, the Financial Advisor, and the Underwriter believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.*

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

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

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of 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 affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's 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).

Redemption, principal, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is 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 Issuer or Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, security certificates for each maturity of the Bonds are required to be printed and delivered. The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, security certificates for each maturity of the Bonds will be printed and delivered and the Bonds will be subject the transfer, exchange and registration provisions as set forth in the Order and summarized under "THE BONDS - Transfer, Exchange and Registration" below.

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

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. In the 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 of Texas 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.

In the event the Book-Entry-Only System should be discontinued, interest on the Bonds will be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest will be paid (i) by check sent United States mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal and Maturity Amount of the Bonds will be paid to the registered owner at the stated maturity or, with respect to the

Bonds, upon prior redemption, upon presentation to the designated payment/transfer office of the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, payments of principal and Maturity Amount of the Bonds and interest on the Bonds will be made as described in "THE BONDS - Book-Entry-Only System," above.

SUCCESSOR PAYING AGENT/REGISTRAR . . . The District reserves the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new Paying Agent/Registrar must accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor paying Agent/Registrar selected by the District shall be a bank, a trust company, financial institution, or other entity duly qualified and legally authorized to serve and perform the duties of Paying Agent/Registrar for the Bonds.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange will 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. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his 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 will be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount 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. Neither the District nor the Paying Agent/Registrar will be required to transfer or exchange any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer will not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for determining the registered owner entitled to receive a payment of interest on any Bond shall mean the close of business on the business day immediately preceding such interest payment date unless otherwise provided in the Pricing Certificate.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each registered owner of a Bond appearing on the Bond Register at the close of business on the last business day next preceding the date of mailing of such notice.

MUTILATED, DESTROYED, LOST, OR STOLEN BONDS. . . The District has agreed to replace mutilated, destroyed, lost, or stolen Bonds upon surrender of the mutilated Bonds to the Paying Agent, or receipt of satisfactory evidence of such destruction, loss, or theft, and receipt by the District and Paying Agent of security or indemnity as may be required by either of them to hold them harmless. The District may require payment of taxes, governmental charges, and other expenses in connection with any such replacement.

DEFEASANCE OF BONDS. . . The Order provides for the defeasance of the Bonds when the payment of the principal of and premium, if any, on the Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption or otherwise), is provided by irrevocably depositing with the Paying Agent/Registrar or other authorized escrow agent, in trust (1) money sufficient to make such payment, (2) Defeasance Securities (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 Defeasance Securities 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 Defeasance Securities for the Defeasance Securities 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 "Defeasance Securities " means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their acquisition or purchase by the District, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and, 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 remarketing 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 Defeasance Securities, 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 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 C – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein).

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

BONDHOLDERS' REMEDIES . . . The Order does not specify events of default with respect to the Bonds. If the District defaults in the payment of principal, interest, or redemption price 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 observation or performance of any other covenants, conditions, or obligations set forth in the Order, the registered owners may seek a writ of mandamus to compel the District or District officials to carry out the legally imposed duties with respect to the Bonds if there is no other available remedy at law to compel performance of the Bonds or the Order and the District's obligations are not uncertain or disputed, as well as to enforce the rights of payment under the Permanent School Fund Guarantee. 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 Order does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the District to perform in accordance with the terms of the Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court ruled in *Tooke v. City of Mexia* 197 S.W. 3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the District's sovereign immunity from a suit for money damages, Bond holders may not be able to bring such a suit against the District for breach of the Bonds or covenants of the Order. 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 Bond holders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. (See "THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" herein for a description of the procedures to be followed for payment of the Bonds by the Permanent School Fund in the event the District fails to make a payment on the Bonds when due.) The opinion of Co-Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors and by general principles of equity which permits the exercise of judicial discretion.

USE OF BOND PROCEEDS . . . Proceeds from the sale of the Bonds are expected to be expended as follows:

Sources:		
Par Amount	$	-
[Net] Premium		-
Total Sources of Funds	$	-
Uses:		
Deposit to Escrow Fund	$	-
Costs of Issuance		-
Underwriter's Discount		-
Total Uses of Funds	$	-

THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM

The District has submitted an application to the Texas Education Agency, in connection with the sale of the Bonds, and received conditional approval from the Commissioner of Education for the payment of the Bonds to be guaranteed under the Permanent School Fund Guarantee Program pursuant to Chapter 45, Subchapter C of the Texas Education Code. 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 C – THE PERMANENT SCHOOL FUND GUARANTEE PROGRAM" for pertinent information regarding the Permanent School Fund Guarantee Program. The disclosure regarding the Permanent School Fund Guarantee Program in Appendix C is incorporated herein and made a part hereof for all purposes.
The Permanent School Fund Guarantee will terminate with respect to Bonds that are defeased.

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, et.al v. The Texas Taxpayer and Student Fairness Coalition, et al.*, 490 S.W. 3d 826 (Tex 2016). 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 Financing System was "undeniably imperfect." While not compelled by the *Morath* decision to reform the Finance System, the Legislature could enact future changes to the Finance System. Any such changes could benefit or be a detriment to the District. If the Legislature enacts future changes to, or fails adequately to fund the Finance System, or if changes in circumstances otherwise provide grounds for a challenge, the Finance System could be challenged again in the future. In its 1995 opinion in *Edgewood Independent School District v. Meno*, 917 S.W.2d 717 (Tex. 1995), the Court stated that any future determination of unconstitutionality "would not, however, affect the district's authority to levy the taxes necessary to retire previously issued bonds, but would instead require the Legislature to cure the system's unconstitutionality in a way that is consistent with the Contract Clauses of the U.S. and Texas Constitutions" (collectively, the "Contract Clauses"), which prohibit the enactment of laws that impair prior obligations of contracts.

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

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

Local funding for school districts is derived from collections of ad valorem taxes levied on property located within each school district's boundaries. School districts are authorized to levy two types of property taxes: (i) a maintenance and operations ("M&O") tax to pay current expenses and (ii) an interest and sinking fund ("I&S") tax to pay debt service on bonds. School districts are prohibited from levying an M&O

tax rate for the purpose of creating a surplus in M&O tax revenues to pay the district's debt service. School districts are required to demonstrate their ability to pay debt service on outstanding bonded indebtedness through the levy of an I&S tax at a rate not to exceed $0.50 per $100 of taxable value at the time bonds are issued. Once bonds are issued, school districts generally may levy an I&S tax sufficient to pay debt service on such bonds unlimited as to rate or amount. See "TAX RATE LIMITATIONS - I&S Tax Rate Limitations" herein. Because property values vary widely among school districts, the amount of local funding generated by school districts with the same I&S tax rate and M&O tax rate is subject to wide variation; however, the public-school finance funding formulas are designed to generally equalize local funding generated by a school district's M&O tax rate.

2025 Regular and Special 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 adjourned on August 15, 2025. The Governor called a second special session which began on August 15, 2025, and adjourned on September 4, 2025. Additional special sessions may be called by the Governor.

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. At an election held on November 4, 2025 voters approved of constitutional amendments necessary to implement legislation increasing: (1) effective January 1, 2025, the State mandated general homestead exemption from $100,000 to $140,000, (2) effective January 1, 2025, the additional exemption on the residence homesteads of those at least sixty-five (65) years of age or disabled from $10,000 to $60,000, and (3) effective January 1, 2026, the exemption for tangible personal property used in the production of income from the current $2,500 to $125,000. Additionally, legislation signed into law 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 signed into law will create an education savings account ("ESA") program (commonly referred to as vouchers) for students that attend private schools or home school. The legislation became effective on September 1, 2025, when the state fiscal biennium began, though families will not receive ESA funds until the 2026-2027 school year. The amount spent for purposes of the program for the 2026-2027 biennium may not exceed $1 billion. The legislation applies beginning with the 2026-2027 school year. Beginning on September 1, 2027, the legislation requires the Legislature to re-appropriate funds for the program for each subsequent State fiscal biennium. Such program could impact attendance in the District by incentivizing students to homeschool or attend private schools, which could negatively affect the District's attendance-based funding.

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

Local Funding for School Districts… A school district's M&O tax rate is comprised of two distinct parts: the "Tier One Tax Rate", which is the local M&O tax rate required for a school district to receive any part of the basic level of State funding (referred to herein as "Tier One") under the Foundation School Program, as further described below, and the "Enrichment Tax Rate", which is any local M&O tax effort in excess of its Tier One Tax Rate. 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" or "SCP" is the lesser of three alternative calculations: (i) 93% or a lower percentage set by appropriation for a school year; (ii) a percentage determined by formula if the estimated total taxable property value of the State (as submitted annually to the Legislature by the State Comptroller) has increased by at least 2.5% over the prior year; and (iii) the prior year SCP. For any year, the maximum SCP is 93%. For the State fiscal year ending in 2026, the SCP is set at 63.22%.

Maximum Compressed Tax Rate. The "Maximum Compressed Tax Rate" or the "MCR" is the tax rate per $100 of valuation of taxable property at which a school district must levy its Tier One Tax Rate (described below) to receive the full amount of the Tier One funding to which the school district is entitled. The MCR is equal to the lesser of two alternative calculations: (1) the "State Compression Percentage" (as discussed above) multiplied by 100; or (2) a percentage determined by formula if the school district experienced a year-over-year increase in property value of at least 2.5% (if the increase in property value is less than 2.5%, then MCR is equal to the prior year's MCR). However, each year the TEA shall evaluate the MCR for each school district in the State, and for any given year, if a school district's MCR is calculated to be less than 90% of any other school district's MCR for the current year, then the school district's MCR is instead equal to the school district's prior year MCR, until TEA determines that the difference between the school district's MCR and any other school district's MCR is not more than 10%. These compression formulas are intended to more closely equalize local generation of Tier One funding among districts with disparate tax bases and generally reduce the Tier One Tax Rates of school districts as property values increase. For the 2025-2026 school year, the Legislature reduced the maximum MCR, establishing $0.6332 as the maximum rate and $0.5689 as the floor.

In calculating and making available school districts' MCRs for the 2025-2026 school year, the TEA 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 Regular Session took effect. Such calculation for the 2025-2026 school year expires September 1, 2026. At a Statewide election held on November 4, 2025, voters approved a residential homestead exemption under Section 1-b(c), Article VIII, Texas Constitution that 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.

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

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

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

STATE FUNDING FOR SCHOOL DISTRICTS…State funding for school districts is provided through the two-tiered Foundation School Program, which guarantees certain levels of funding for school districts in the State. School districts are entitled to a legislatively appropriated guaranteed yield on their Tier One Tax Rate and Enrichment Tax Rate. When a school district's Tier One Tax Rate and Enrichment Tax Rate generate tax revenues at a level below the respective entitlement, the State will provide "Tier One" funding or "Tier Two" funding, respectively, to fund the difference between the school district's entitlements and the calculated 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 programmatic funding guaranteed to a school district, consisting of a State-appropriated baseline level of funding (the "Basic Allotment") for each student in "Average Daily Attendance" (being generally calculated as the sum of student attendance for each State-mandated day of instruction divided by the number of State-mandated days of instruction, defined herein as "ADA"). The Basic Allotment is revised downward if a school district's Tier One Tax Rate is less than the State-determined threshold. The Basic Allotment is supplemented by additional State funds, allotted based upon the unique school district characteristics, the demographics of students in ADA, and the education programs the students are served in, to make up most of a school district's Tier One entitlement under the Foundation School Program.

The Basic Allotment for a school district with a Tier One Tax Rate equal to the school district's MCR, is $6,160 (or a greater amount as may be provided by appropriation) for each student in ADA and is revised downward for a school district with a Tier One Tax Rate lower than the school district's MCR. The Basic Allotment is then supplemented for all school districts by various weights to account for differences among school districts and their student populations. Such additional allotments include, but are not limited to, increased funds for students in ADA who: (i) attend a qualified special education program, (ii) are diagnosed with dyslexia or a related disorder, (iii) are economically disadvantaged, or (iv) have limited English language proficiency. Additional allotments to mitigate differences among school districts include, but are not limited to: (i) a transportation allotment for mileage associated with transporting students who reside two miles or more from their home campus, (ii) a fast growth allotment (for school districts in the top 25% of enrollment growth relative to other school districts), (iii) a college, career and military readiness allotment to further Texas' goal of increasing the number of students who attain a post-secondary education or workforce credential, and (iv) a teacher incentive allotment to increase teacher compensation retention in disadvantaged or rural school districts. A school district's total Tier One funding less the allotments that are not derived by a weighted formula, divided by $6,160, 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, Instruction Facilities Allotment, and New Instructional Facilities Allotment. The Foundation School Program also includes facilities funding components consisting of the IFA and the EDA, subject to legislative appropriation each State fiscal biennium. To the extent funded for a biennium, these programs assist school districts in funding facilities by, generally, equalizing a school district's I&S tax effort. The IFA guarantees each awarded school district a specified amount per student (the "IFA Yield") in State and local funds for each cent of I&S tax levied to pay the principal of and interest on eligible bonds issued to construct, acquire, renovate or improve instructional facilities. The IFA Yield has been $35 since 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. The guaranteed level of State and local funds per student per cent of local tax effort applicable to the bonds may not be reduced below the level provided for the year in which the bonds were issued. For the 2024-2025 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 Legislature for the 2026-2027 State fiscal biennium and debt service assistance on school district bonds that are not yet eligible for EDA is not available, debt service payments during the 2026-2027 State fiscal biennium on new bonds issued by school districts in the 2026-2027 State fiscal biennium to construct, acquire and improve facilities must be funded solely from local I&S taxes, except to the extent that the bonds of a school district are eligible for hold-harmless funding from the State for local tax revenue lost as a result of an increase in the mandatory homestead exemption.

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. During the 89th Legislative Sessions, 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.

Beginning with the 2025-2026 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 (except for their Golden Pennies, if applicable), although they may continue to receive State funds for certain competitive grants and certain programs that remain outside the Foundation School Program.

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

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

A district that enters into an agreement to exercise an option to reduce the district's local revenue level in excess of entitlement under options (3), (4), or (5) for the 2025-2026 school year and that has not previously held an election to exercise said options may request and may receive approval from the Commissioner to delay the date of the election otherwise required to be ordered before September 1. The Commissioner shall set a date by which each district that receives approval to delay an election must order the election and requires the Commissioner, not later than the 2026-2027 school year, to order detachment and annexation of district property or consolidation as necessary to reduce the district's excess local revenue to the level established by law for a district that receives approval to delay an election and subsequently fails to hold the election or does not receive voter approval at the election. A district that receives approval of a request to delay the date of an election shall pay for credit purchased in equal monthly payments as determined by the Commissioner beginning March 15, 2026, and ending August 15, 2026. Alternatively, the district may pay for credit purchased with one lump sum payment made not later than August 15, 2026, provided that the district notifies the Commissioner of the district's election to pay through a lump sum not later than March 15, 2026.

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

THE SCHOOL FINANCE SYSTEM AS APPLIED TO THE DISTRICT

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

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

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

TAX RATE LIMITATIONS

M&O TAX RATE LIMITATIONS . . . The District is authorized to levy an M&O tax rate pursuant to the approval of the voters of the District at an election held on April 3, 1954, in accordance with the provisions of Article 2784e-1.

The maximum M&O tax rate per $100 of taxable value that may be adopted by a school district is the sum of $0.17 and the school district's MCR. A school district's MCR is, generally, inversely proportional to the change in taxable property values both within the school district and the State and is subject to recalculation annually. For any year, the highest possible MCR for a school district is $0.93 (see "TAX RATE

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

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

Valuation of Taxable Property…The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within each county in which a district is located as of January 1 of each year is the responsibility of the Cameron County Appraisal District for that county (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 State Legislature through December 31, 2026, an appraisal district is prohibited from increasing the appraised value of real property during the 2026 tax year on certain non-homestead properties (the "Subjected Property") whose appraised values are not more than $5.32 million dollars (the "maximum property value") to an amount not to exceed the lesser of: (1) the market value of the Subjected Property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the Subjected Property for the preceding tax year; (b) the appraised value of the Subjected Property for the preceding tax year; and (c) the market value of all new improvements to the Subjected Property. The maximum property value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value.

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

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

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

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

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

See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 Regular and Special Legislative Sessions" for a description of SB 4 and the November 4, 2025 statewide election at which voters approved an amendment to the Texas Constitution to increase the general residential homestead exemption for school districts from $100,000 to $140,000.

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

PERSONAL PROPERTY… Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property. At a Statewide election held on November 4, 2025, voters approved a constitutional amendment that will provide a person to an exemption from taxation by a taxing unit of $125,000 of the appraised value of the tangible personal property the person owns that is held or used for the production of income and has taxable situs at the same location in the taxing unit. A person who leases tangible personal property is also entitled to a tax exemption of $125,000, regardless of where the property is located in the taxing unit.

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

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

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

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

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

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

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

TAX LIMITATION AGREEMENTS… The Texas Economic Development Act (Chapter 313, Texas Tax Code, as amended), allowed school districts to grant limitations on appraised property values to certain corporations and limited liability companies to encourage economic development within the school district. Generally, during the last eight (8) years of the ten-year term of a tax limitation agreement, a school district could only levy and collect M&O taxes on the agreed-to limited appraised property value. For the purposes of calculating its Tier One and Tier Two entitlements, the portion of a school district's property that is not fully taxable is excluded from the school district's taxable property values. Therefore, a school district will not be subject to a reduction in Tier One or Tier Two State funds as a result of lost M&O tax revenues due to entering into a tax limitation agreement. The 87th Texas Legislature did not vote to extend this program, which expired by its terms on December 1, 2022 (See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts".)

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

In the 88th Legislative Session, House Bill 5 ("HB 5" or "The Texas Jobs, Energy, Technology, and Innovation Act") was adopted to create an economic development program, subject to state oversight, which would attract jobs and investment to Texas through school district property tax abatement agreements with businesses. HB5 was codified as Chapter 403, Subchapter T, Texas Government Code ("Chapter 403") and had an effective date of January 1, 2024. Under Chapter 403, a school district may offer a 50% abatement on taxable value for maintenance and operations property taxes for certain eligible projects, except that projects in a federally designated economic opportunity zone receive a 75% abatement. Chapter 403 also provides a 100% abatement of maintenance and operations taxes for eligible property during a project's construction period. Taxable valuation for purposes of the debt 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 currently monitoring the State's implementation of this new economic development program and cannot make any representations as to what impact, if any, Chapter 403 will have on its finances or operations. For a discussion of how the various exemptions described above are applied by the District, see "AD VALOREM TAXATION – The Property Tax Code as Applied to the District" herein.

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

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount," as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. For the 2026 tax year, the minimum eligibility amount was set at $62,883,169 and is adjusted annually by the State Comptroller to reflect the inflation rate.

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

LEVY AND COLLECTION OF TAXES… The District is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the District may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances. 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 15 and ending on August 1. See "AD VALOREM TAXATION - 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.

THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT . . . *The District grants the State-mandated exemption of $140,000 for general homestead (increased from $100,000 to $140,000 effective for tax years 2025 and thereafter) and an additional exemption to the appraised value of the residence homestead of disabled or persons 65 years of age or older of $60,000 (increased from $10,000 to $60,000 effective for tax years 2025 and thereafter).*

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

The District grants a state mandated property tax exemption for disabled veterans.

The District does not tax nonbusiness personal property.

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

The District does not tax Freeport Property.

The District currently has not adopted tax abatements.

TABLE 1- VALUATIONS, EXEMPTIONS AND TAX SUPPORTED DEBT

2025/2026 Market Valuation Established by Cameron County Appraisal District			$ 3,689,658,516
Less Productivity Loss		$ 271,092,442	
Less Homestead Cap		432,578,146	
Less CB CAP		196,929,058	
Less Exemptions/Reductions at 100% Market Value: (1)			
Over 65 Exemptions		28,466,135	
Disabled Persons		1,829,359	
Disabled Veterans Homestead		14,057,592	
Homestead Exemptions		678,837,035	
Freeport Exemption		123,936,612	
Disabled Veterans		1,544,651	
Personal Property Vehicle		137,852	
Charitable Organization		2,590,646	
Member Armed Services Surviving Spouse		305,488	
Public Property for Housing Indigenous Persons		3,248,779	
Primary Performing Charitable Functions		162,728	
Nonprofit Water or Wastewater Organization		4,940,316	
Totally Exempt Property		237,739,544	
Value Lost to Freeze Adjustments		20,140,750	2,018,537,133
2025 Net Taxable Assessed Valuation			$ 1,671,121,383 (2)
District's Debt Payable From Taxes (as of 3/17/2026)			
Unlimited Tax Debt			
U/L Tax Ref Bds Ser 2016		$ 2,045,000 (3)	
U/L Tax Sch Bldg Bds Ser 2019		27,120,000	
U/L Tax Sch Bldg Bds Ser 2020		7,970,000	
U/L Tax Ref Bds Taxable Ser 2021B		16,580,000	
The Bonds		16,325,000 (4)	
Total Debt Payable From Ad Valorem Taxes			70,040,000
Less: Projected IFA and EDA Funding From the State			3,074,603 (5)
Net Debt Payable from Ad Valorem Taxes			$ 66,965,397
Interest and Sinking Fund (as of 06/30/2025)			$ 1,081,172
Ratio Total Ad Valorem Debt to 2025 Assessed Valuation			4.01%
2026 Population estimate for San Benito CISD	44,180		
Per Capita Taxable Assessed Valuation	$ 37,825		
Per Capita Ad Valorem Tax Debt before State Assistance	$ 1,585		

(1) Valuation shown includes the $140,000 State-mandated general residence homestead exemption and the $60,000 State-mandated homestead exemption of persons sixty-five (65) years of age or older. See "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – 2025 Regular and Special Sessions" herein for a discussion of a voter-approved increase in the general State mandated homestead exemption from $100,000 to $140,000 and an increase in the State mandated homestead exemption of persons sixty-five (65) years of age or older and the disabled from $10,000 to $60,000.

(2) The valuations shown are the certified Taxable Assessed Valuations after adjustments for Exemptions and Freeze Loss reported annually in September to the Cameron County Appraisal District. The valuations are subject to change during the ensuing year due to the settlement of contested valuation, and other matters.

(3) Excludes the Refunded Bonds; preliminary, subject to change.

(4) Preliminary, subject to change.

(5) Texas School Districts may receive funds from the State of Texas to offset capital debt expenses. The District expects to receive 46.59% of the 2026-2027 FYE annual debt service requirement from State Aid. These funds are subject to change and are recalculated each year.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY [(1)]

	Taxable Appraised Value for the Fiscal Year Ending June 30,					
	2026		2025		2024	
Category	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Real, Residential, Single Family	$ 1,723,492,816	46.71%	$ 1,660,495,752	46.05%	$ 1,236,811,851	49.71%
Real Residential, Multi-Family	87,559,766	2.37%	$82,966,944	2.30%	60,351,253	2.43%
Real, Vacant Lots/Tracts	128,878,952	3.49%	161,346,888	4.48%	91,895,641	3.69%
Real, Acreage (Land Only)	285,236,044	7.73%	281,866,167	7.82%	138,137,051	5.55%
Real, Farm and Ranch Improvements	458,023,425	12.41%	450,102,646	12.48%	110,744,483	4.45%
Real, Commercial	298,276,550	8.08%	303,873,064	8.43%	249,568,958	10.03%
Real, Industrial	42,026,221	1.14%	34,851,291	0.97%	23,829,004	0.96%
Real, Tangible Personal, Utilities	126,564,014	3.43%	127,620,213	3.54%	120,071,148	4.83%
Tangible Personal, Commercial	97,431,020	2.64%	93,897,070	2.60%	92,567,340	3.72%
Tangible Personal, Industrial	156,907,378	4.25%	142,895,524	3.96%	162,117,985	6.52%
Mobile Homes	22,404,080	0.61%	17,823,679	0.49%	17,230,183	0.69%
Real Inventory	1,797,624	0.05%	3,825,592	0.11%	569,807	0.02%
Special Inventory/Other	261,060,626	7.08%	243,940,767	6.77%	184,075,641	7.40%
Total Appraised Value Before Exemptions	$ 3,689,658,516	100.00%	$ 3,605,505,597	100.00%	$ 2,487,970,345	100.00%
Less: Total Exemptions/Reductions	(2,018,537,133)		(1,982,871,175)		(1,126,253,580)	
Net Taxable Assessed Valuation	$ 1,671,121,383		$ 1,622,634,422		$ 1,361,716,765	

	Taxable Appraised Value for the Fiscal Year Ending June 30,			
	2023		2022	
Category	Amount	Percent of Total	Amount	Percent of Total
Real, Residential, Single Family	$ 916,819,447	44.13%	$ 799,646,100	42.12%
Real Residential, Multi-Family	54,293,720	2.61%	49,089,107	2.59%
Real, Vacant Lots/Tracts	73,718,835	3.55%	70,785,638	3.73%
Real, Acreage (Land Only)	133,841,686	6.44%	133,241,225	7.02%
Real, Farm and Ranch Improvements	93,187,834	4.49%	73,289,375	3.86%
Real, Commercial	224,056,904	10.78%	214,454,755	11.30%
Real, Industrial	23,980,910	1.15%	30,608,031	1.61%
Real, Tangible Personal, Utilities	112,914,307	5.44%	107,044,077	5.64%
Tangible Personal, Commercial	82,760,512	3.98%	76,686,461	4.04%
Tangible Personal, Industrial	171,363,672	8.25%	142,391,523	7.50%
Mobile Homes	17,726,759	0.85%	16,539,102	0.87%
Real Inventory	-	0.00%	720,490	0.04%
Special Inventory/Other	172,865,480	8.32%	$183,885,260	9.69%
Total Appraised Value Before Exemptions	$2,077,530,066	100.00%	$ 1,898,381,144	100.00%
Less: Total Exemptions/Reductions	(829,595,249)		(712,249,477)	
Net Taxable Assessed Valuation	$ 1,247,934,817		$ 1,186,131,667	

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(1) Valuations shown above are certified taxable assessed values as per Cameron County Appraisal District. Values are subject to change as Appraisal District updates records.

TABLE 3 - VALUATION AND TAX SUPPORTED DEBT HISTORY

Fiscal Year Ended 30-Jun	Estimated Population [(1)]	Net Taxable Assessed Valuation [(2)]	Taxable Assessed Valuation Per Capita	Funded Tax Debt [(3)]	Debt to Taxable Assessed Valuation	Tax Debt Per Capita
2022	43,092	$ 1,186,131,667	27,526	86,290,000	7.27%	2,002.46
2023	42,491	1,247,934,817	29,369	82,035,000	6.57%	1,930.64
2024	41,025	1,361,716,765	33,192	77,560,000	5.70%	1,890.55
2025	40,795	1,622,634,422	39,775	72,845,000	4.49%	1,785.64
2026	44,180	1,671,121,383	37,825	70,040,000 (4)	4.19%	1,585.33

(1) Sourced from Texas Municipal Advisory Council.
(2) The valuations shown are the certified Taxable Assessed Valuations after adjustments for Exemptions and Freeze Loss reported annually in September to the Cameron County Appraisal District. The valuations are subject to change during the ensuing year due to the settlement of contested valuation, and other matters.

(3) Net of State share of the tax debt.

(4) Includes the Bonds, excludes Refunded Bonds. Preliminary, subject to change.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 30-Jun	Tax Rate [(1)]	Distribution: Maintenance & Operations	Distribution: Interest & Sinking Fund	Tax Levy [(1)]	% Collections: Current	% Collections: Total
2022	1.30490	1.02500	0.27990	16,527,659	92.54%	99.24%
2023	1.29150	1.01160	0.27990	17,035,286	92.25%	99.65%
2024	1.05867	0.76320	0.29547	14,895,441	91.03%	99.11%
2025	1.02880	0.73690	0.29190	16,947,556	91.14%	91.14%
2026	1.05060	0.78690	0.26370	17,030,097 (2)	In Process of Collection	

(1) Sourced from Municipal Advisory Council of Texas.

(2) Estimate.

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TABLE 5 - TEN LARGEST TAXPAYERS [1]

Name	Nature of Property	2025 Assessed Valuation	% of Assessed Valuation
AEP Texas INC-07C	Electric Utility	87,478,982	5.23%
MHC Fun N Sun LLC	Resort	27,210,668	1.63%
Sharyland Utilities LP	Electric Utility	17,696,050	1.06%
AEP Texas Inc-07C	Electric Utility	17,364,171	1.04%
Palms Property Owners LLC	Real estate	17,084,528	1.02%
Walmart Inc	Retail	14,699,624	0.88%
349 S Helel Moore Road LLC	Construction	14,605,812	0.87%
Panasonic Automotive Systems	Auto	12,082,339	0.72%
RIRA AMG REATA LP	Real estate	10,936,066	0.65%
Codysur Trucks Inc	Transportation	8,916,013	0.53%
		228,074,253	13.65%

[1] Source: Cameron County Appraisal District.

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DEBT INFORMATION

TABLE 6 – PRO FORMA TAX SUPPORTED DEBT SERVICE REQUIREMENTS

Fiscal Year Ended	Outstanding Debt Service [1]			The Bonds [2]			Total Debt Service Requirments			% of Principal
30-Jun	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Retired
2026	$ 3,760,000	$ 2,855,172	$ 6,615,172	$ -	$ -	$ -	$ 3,760,000	$ 2,855,172	$ 6,615,172	
2027	3,915,000	2,006,222	5,921,222	-	677,617	677,617	3,915,000	2,683,838	6,598,838	
2028	2,710,000	1,857,272	4,567,272	1,180,000	746,000	1,926,000	3,890,000	2,603,272	6,493,272	
2029	2,810,000	1,756,472	4,566,472	1,245,000	687,000	1,932,000	4,055,000	2,443,472	6,498,472	
2030	2,925,000	1,651,772	4,576,772	1,310,000	624,750	1,934,750	4,235,000	2,276,522	6,511,522	27.89%
2031	3,025,000	1,545,872	4,570,872	1,375,000	559,250	1,934,250	4,400,000	2,105,122	6,505,122	
2032	3,120,000	1,439,622	4,559,622	1,440,000	490,500	1,930,500	4,560,000	1,930,122	6,490,122	
2033	3,210,000	1,347,798	4,557,798	1,510,000	418,500	1,928,500	4,720,000	1,766,298	6,486,298	
2034	3,315,000	1,250,856	4,565,856	1,590,000	343,000	1,933,000	4,905,000	1,593,856	6,498,856	
2035	1,340,000	1,148,200	2,488,200	1,670,000	263,500	1,933,500	3,010,000	1,411,700	4,421,700	58.23%
2036	1,395,000	1,089,000	2,484,000	1,755,000	180,000	1,935,000	3,150,000	1,269,000	4,419,000	
2037	1,460,000	1,027,250	2,487,250	1,845,000	92,250	1,937,250	3,305,000	1,119,500	4,424,500	
2038	3,570,000	962,550	4,532,550	-	-	-	3,570,000	962,550	4,532,550	
2039	1,595,000	833,450	2,428,450	-	-	-	1,595,000	833,450	2,428,450	
2040	1,670,000	762,500	2,432,500	-	-	-	1,670,000	762,500	2,432,500	76.90%
2041	1,745,000	688,100	2,433,100	-	-	-	1,745,000	688,100	2,433,100	
2042	1,825,000	610,150	2,435,150	-	-	-	1,825,000	610,150	2,435,150	
2043	1,910,000	528,500	2,438,500	-	-	-	1,910,000	528,500	2,438,500	
2044	1,995,000	442,900	2,437,900	-	-	-	1,995,000	442,900	2,437,900	
2045	2,080,000	353,350	2,433,350	-	-	-	2,080,000	353,350	2,433,350	90.33%
2046	1,620,000	275,400	1,895,400	-	-	-	1,620,000	275,400	1,895,400	
2047	1,685,000	210,600	1,895,600	-	-	-	1,685,000	210,600	1,895,600	
2048	1,755,000	143,200	1,898,200	-	-	-	1,755,000	143,200	1,898,200	
2049	1,825,000	73,000	1,898,000	-	-	-	1,825,000	73,000	1,898,000	100.00%
	$ 56,260,000	$ 24,859,206	$ 81,119,206	$ 14,920,000	$ 5,082,367	$ 20,002,367	$ 71,180,000	$ 29,941,573	$ 101,121,573	

Source: The Municipal Advisory Council of Texas

(1) Excludes the Refunded Bonds; preliminary, subject to change.

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

TABLE 7 - INTEREST AND SINKING FUND BUDGET

Estimated Tax Supported Debt Service Requirements, Fiscal Year Ending June 30, 2026		$ 6,615,172
Interest and Sinking Fund Balance at June 30, 2025	$ 1,081,172	
Estimated TEA Existing Debt Allotment [(1)]	-	
Estimated Instructional Facilities Allotment State Aid [(1)]	3,074,603	
Estimated Interest and Sinking Fund Tax Levy @ 97% Collections	4,274,545	8,430,320
Estimated Balance as of June 30, 2026		$ 1,815,148

[(1)] Sourced from the Texas Education Agency's 2025-2026 Preliminary Summary of Finances.

TABLE 8 – TAX ADEQUACY

2025/2026 Net Taxable Assessed Valuation	$ 1,671,121,383
Maximum Net Debt Service for FYE 2026	$ 6,598,838
Estimated State Funding Assistance for FYE 2026	$ 3,074,603
Indicated Interest and Sinking Fund Tax Rate	$ 0.43393
Estimated 91% Tax Collections	$ 6,598,862

[(1)] Approximately 46.59% of the District's debt service is qualified for either the Instructional Facilities Allotment or Existing Debt Allotment of the Texas Education Agency. The amount of State aid for debt service may substantially differ from year to year, depending on a number of factors, including amounts, if any, appropriated for that purpose by the Texas Legislature from time to time..

ANTICIPATED ISSUANCE OF UNLIMITED TAX DEBT…The District does not anticipate issuing additional ad valorem tax bonds within the remainder of calendar year 2026.

TABLE 9 – GENERAL FUND REVENUE AND EXPENDITURE HISTORY

	Year Ended June 30,				
	2025	2024	2023	2022	2021
Revenues:					
Local and Intermediate Sources	$ 14,045,045	$13,941,782	$15,997,962	$14,245,841	$ 14,490,894
State Sources	88,338,508	83,440,972	78,931,238	80,921,656	88,758,547
Federal Sources	10,351,910	11,426,685	14,222,565	19,215,296	10,343,091
Total Revenues	$ 112,735,463	$ 108,809,439	$ 109,151,765	$ 114,382,793	$ 113,592,532
Expenditures:					
Current:					
Instruction	$ 60,773,249	$ 59,280,587	$ 56,544,597	$ 54,208,759	40,189,247
Inst. Resources & Media Svcs.	1,792,560	1,966,123	1,989,845	1,435,745	1,119,980
Curriculum & Instructional Staff Dev.	331,350	187,610	241,157	380,283	1,165,273
Instructional Leadership	1,855,663	1,857,325	2,042,138	1,890,004	1,411,240
School Leadership	5,341,753	5,636,049	6,167,553	6,094,615	4,920,932
Guidance Counseling	3,121,168	3,197,085	2,963,228	2,947,873	2,166,410
Social Work Svcs.	450,602	427,404	402,436	460,958	341,705
Health Services	1,249,039	94,352	27,080	2,770	927,313
Student (Pupil) Transportation	3,732,936	3,370,331	2,800,219	3,032,242	2,885,173
Food Services	9,895,002	9,589,002	8,008,578	7,244,988	9,045,488
Cocurricular/Extracurricular Activities	3,501,617	3,620,265	3,456,345	3,212,041	1,237,076
General Administration	4,418,535	4,383,068	4,424,095	5,269,070	4,669,326
Plant Maintenance and Operations	14,346,375	13,311,512	12,546,933	11,593,729	12,402,534
Security and Monitoring Services	2,754,586	2,856,334	2,696,202	2,922,612	2,428,676
Data Processing Services	2,282,374	1,629,394	550,702	851,202	1,752,441
Community Services	142,529	134,991	87,471	112,792	80,679
Debt Service	891,286	764,646	853,338	567,506	706,701
Facilities Acquisition and Construction	2,496,586	732,994	1,248,023	500,033	69,806
Intergovernmental	241,995	207,936	219,342	206,318	199,396
Total Expenditures	$ 119,619,205	$ 113,247,008	$ 107,269,282	$ 102,933,540	$ 87,719,396
Beginning Fund Balance	49,823,151	56,193,139	56,225,908	45,636,913	21,183,525
Excess of Revenues Over Expenditures	$ (6,883,742)	$ (4,437,569)	$ 1,882,483	$ 11,449,253	$ 25,873,136
Other Financing Sources	$ 1,630,963	$ 1,689,233	$ 2,349,565	$ 1,870,266	$ 1,106,012
Other Financing Uses	(3,794,439)	(3,621,652)	(4,264,817)	(2,730,523)	(2,525,760)
Ending Fund Balance on June 30 (2)	$ 40,775,933 (1)	$ 49,823,151 (1)	$ 56,193,139	$ 56,225,909	$ 45,636,913

Source: District's audited financial statements.

(1) Fund balance decreased in FY 2024 and FY 2025 due to an increased amount of expenditures being paid through the District's General Fund due to the expiration of the ESSER federal grant funds. The district anticipated this and used ESSER funds as a means to increase the fund balance during the life of the grant in FYs 2021-2023.

(2) The District expects its unaudited general fund balance for fiscal year end June 30, 2026 to be approximately $37.5 million.

TABLE 10 - OTHER OBLIGATIONS… The San Benito Consolidated Independent School District has a total of 12 active leases. The agreements are for copier machines and a postage meter, and payments range from $2,400 to $119,359. The lease liabilities are measured at a discount rate of 0.4113% to 2.8220%, which is the District's incremental borrowing rate.

As a result of the leases, the District has a recorded a right to use assets with a value of $1,581,440 and accumulated amortization of $1,177,275 on June 30, 2025.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2025 were as follows:

Year Ending June 30,	Principal	Interest	Total
2026	$ 250,615	$ 7,199	$ 257,814
2027	124,476	2,066	126,542
2028	34,708	230	34,938
Total Requirements	$ 409,799	$ 9,495	$ 419,294

Source: The District's Audited Financial Statement for the Fiscal Year Ended June 30, 2025.

The San Benito Independent School District has a total of 19 active subscriptions. The subscriptions are for payments that range from $2,600 to $1,056,928. The SBITA liabilities are measured at a discount rate of 1.894% to 3.177%, which is the District's incremental borrowing rate. As a result of the SBITAs, the District has a recorded a right to use SBITA asset with a value of $4,478,753 and accumulated amortization of $2,281,410 on June 30, 2025.

The future minimum lease obligations and the net present value of these minimum SBITA payments as of June 30, 2025, were as follows:

Year Ending June 30,	Principal	Interest	Total
2026	$ 810,849	$ 25,898	$ 836,747
2027	77,870	1,914	79,784
Total Requirements	$ 888,719	$ 27,812	$ 916,531

Source: The District's Audited Financial Statement for the Fiscal Year Ended June 30, 2025.

TABLE 11 – CURRENT INVESTMENTS

As of January 28, 2026, The District's investable funds were invested in the following categories:

Investment Description	Percent	Carrying Value
CDs, Treasury Notes, etc.	7.90%	$ 5,791,208.88
Lone Star Pool	82.68%	60,601,373.97
Texas Class Pool	9.42%	6,901,096.48
Total Governmental	100.00%	$ 73,293,679.33

Source: The District's Audited Financial Statement for the Fiscal Year Ended June 30, 2025.

TABLE 12 – ESTIMATED OVERLAPPING DEBT

Taxing Body	Gross Amount	As of	% Overlap	$ Overlap
Brownsville, City of	$375,294,000	1/31/2026	0.11%	$ 412,823
Cameron Co	229,145,000	1/31/2026	6.52%	14,940,254
Cameron DD # 5	5,200,000	1/31/2026	0.00%	-
Harlingen, City of	18,850,000	1/31/2026	1.19%	224,315
San Benito, City of	13,510,000	1/31/2026	100.00%	13,510,000
Texas Southmost College Dist	12,970,000	1/31/2026	0.03%	3,891
Total Net Overlapping Debt				$ 29,091,283
San Benito CISD (1)	**70,040,000**	**1/31/2026**	**100%**	**70,040,000**
Total Direct and Overlapping Debt				**99,131,283**

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

FINANCIAL POLICIES

Basis of Accounting . . . The accounting policies of the District substantially comply with the rules prescribed in the Financial Accountability Systems Resource Guide, by the Texas Board of Education. These accounting policies conform to generally accepted accounting principles applicable to governments (see Appendix B - "San Benito Consolidated Independent School District Annual Financial and Compliance Report for the Fiscal Year Ended June 30, 2025").

General Fund Balance . . . The District's current consensus is to build up surplus and unencumbered funds to approximately 10-15% days of expenditures in the General Fund. As of June 30, 2025, the District maintains a General Fund balance equal to 31.9% of expenditures.

Budgetary Procedures . . . The District policy is to begin budget preparations on the individual school level in March of each year. The principals work with the teachers to formulate a working budget, which then moves to the office of the Superintendent. After refinements at this level, the budget goes to the Board where it is further refined and goes through public hearings prior to final adoption in late August. Priorities are based on long-term and annual goals.

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

LEGAL INVESTMENTS. . .Available District funds are invested as authorized by Texas law and in accordance with investment policies approved by the Board. Both state law and the District's investment policies are subject to change. Under Texas 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 is 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, county, 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) certificates of deposit that are issued by or through an institution that either has its main office or a branch in Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for District deposits; (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas, (9) 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 (6) 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 (6) above, clauses (11) through (13) below, or an authorized investment pool; (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; (10) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (11) commercial paper with a stated maturity of 365 days or less that is rated 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; (12) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share, and (13) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in the this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are continuously rated no lower than "AAA" or "AAA-m" or an equivalent by at least one nationally recognized rating service or no lower than investment grade by at least one nationally recognized rating service with a weighted average maturity no greater than ninety (90) days. The District may also contract with an investment management firm registered under the Investment Advisors 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 of greater then 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 Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for District funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

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

ADDITIONAL PROVISIONS. . . Under Texas law, the District is additionally required to: (1) annually review its adopted policies and strategies, (2) require any investment officers with personal business relationships or family relationships with firms seeking to sell securities to the District to disclose the relationship and file a statement with the Texas Ethics Commission and the District, (3) require the registered principal of firms seeking to sell securities to the District to: (a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the District's investment policy, (5) 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 repurchase agreement, (6) restrict the investment in non-money market 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, (7) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements and (8) provide specific investment training for the Treasurer, the chief financial officer (if not the Treasurer) and the investment officer.

TAX MATTERS

TAX EXEMPTION . . . The delivery of the Bonds is subject to the opinion of Winstead PC, San Antonio, Texas, and Law Office of Tony Torres PLLC, Edinburg, Texas, Co-Bond Counsel, to the effect that interest on the Bonds for federal income tax purposes (1) will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the "Code"), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) is not an item of tax preference for purposes of the alternative minimum tax for the owners thereof who are individuals. A form of Co-Bond Counsel's opinion is reproduced as APPENDIX C. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

In rendering the foregoing opinions, Co-Bond Counsel will rely upon the Report, and representations and certifications of the District and the Board made in a certificate dated the date of delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance with the provisions of the Bond Order subsequent to the issuance of the Bonds. The Bond Order contains covenants by the District and the Board with respect to, among other matters, the use of the proceeds of the Bonds, the manner in which the proceeds of the Bonds are to be invested, the reporting of certain information to the United States Treasury, and rebating any arbitrage profits to the United States Treasury. Failure to comply with any of these covenants would cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

Except as described above, Co-Bond Counsel will express no other opinion with respect to any other federal, state, or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, owners of an interest in a financial asset securitization investment trust, individuals otherwise qualifying for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or how have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

For taxable years beginning after December 31, 2022, an "applicable corporation" (as defined in section 59(k) of the Code) may be subject to a 15% alternative minimum tax imposed under section 55 of the Code on its "adjusted financial statement income" (as defined in section 56A of the Code) for such taxable year. Because interest on tax-exempt obligations, such as the Obligations, is included in a corporation's "adjusted financial statement income," ownership of the Obligations could subject a corporation to alternative minimum tax consequences.

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

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

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

TAX ACCOUNTING TREATMENT OF PREMIUM BONDS . . . The initial public offering price of certain Bonds may be greater than the amount payable on such Bonds at maturity (the "Premium Bonds"). An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

Owners of Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

COLLATERAL FEDERAL INCOME TAX CONSEQUENCES . . . The following discussion is a summary of certain collateral federal income tax consequences resulting from the receipt or accrual of interest on or the acquisition, ownership, or disposition of the Bonds. This discussion is based on existing statutes, regulations, published rulings, and court decisions, all of which are subject to change or modification retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust, certain S corporations with Subchapter C earnings and profits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred expenses allocable to, tax-exempt obligations.

INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE RECEIPT OR ACCRUAL OF INTEREST ON OR THE ACQUISITION, OWNERSHIP, AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Interest on the Bonds will be included in the "adjusted profits tax" imposed by section 884 of the Code on the effectively-connected earnings and profits of a foreign corporation doing business in the United States.

Under section 6012 of the Code, owners 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 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 owner 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 of 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.

CHANGES IN LAW . . . 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 or otherwise prevent Owners of the Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

EMPLOYEE RETIREMENT PLAN AND OTHER POST-EMPLOYMENT BENEFITS

The District's employees participate in a retirement plan with the State of Texas (the "Plan"). The Plan is administered by the Teacher Retirement System of Texas ("TRS"). Aside from the District's contribution to the TRS, the District has no pension fund expenditures or liabilities. The District generally does not offer any post-employment retirement benefits and has no liabilities for "Other Post Employment Retirement Benefits" as defined in GASB Statement No. 45. See "Notes to the Financial Statements, Note 4 - Defined Benefit Pension Plan," in the audited financial statements of the District for the year ended June 30, 2024 as set forth in Appendix B hereto.

During the year ended June 30, 2024, employees of the District were covered by a self-funded employee benefit plan administered by a third party administrator, with appropriate stop loss insurance coverage in place. See "Notes to the Financial Statements – Note 6 – Risk Management" in the audited financial statements for the District for the year ended 2024 as set forth in Appendix B hereto.

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

CONTINUING DISCLOSURE OF INFORMATION

In the Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains an "obligated person" with respect to the Bonds, within the meaning of the Securities and Exchange

Commission's Rule 15c2-12 (the "Rule"). Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the "MSRB").

ANNUAL REPORTS . . . The District will provide certain updated financial information and operating data to certain information vendors annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under Tables numbered 1 through 11 and in Appendix B. The District will update and provide this information within six months after the end of each fiscal year. The District will provide the updated information to the Municipal Securities Rulemaking Board (the "MSRB") through the "EMMA" information system in accordance with recent amendments to Rule 15c2-12 (the "Rule") promulgated by the United States Securities and Exchange Commission (the "SEC").

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted the Rule. The updated information will include audited financial statements, if the District commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the District will provide unaudited financial information of the type described in the preceding paragraph by the required time and will provide audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation.

The District's current fiscal year end is June 30. Accordingly, it must provide updated information by the last day of December in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

NOTICE OF OCCURRENCE OF CERTAIN EVENTS, WHETHER OR NOT MATERIAL…The District will file with the MSRB notice of any of the following events with respect to the Bonds in a timely manner (and not more than 10 business days after occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material; (15) Incurrence of a financial obligation of the Board, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Board, 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 Board, any of which reflect financial difficulties. Neither the Bonds nor the Order make any provision for debt service reserves, credit enhancement (except with respect to the Permanent School Fund guarantee), or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports". The District will provide each notice described in this paragraph to the MSRB.

For these purposes, 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 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. As used in clauses 15 and 16 above, the phrase “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii); provided, however, the phrase shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

AVAILABILITY OF INFORMATION . . . Effective July 1, 2009 (the "EMMA Effective Date"), the SEC implemented amendments to the Rule which approved the establishment by the MSRB of EMMA, which is now the sole successor to the national municipal securities information repositories with respect to filings made in connection with undertakings made under the Rule after the EMMA Effective Date. Commencing with the EMMA Effective Date, 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.

With respect to debt of the District issued prior to the EMMA Effective Date, the District remains obligated to make annual required filings, as well as notices of material events, under its continuing disclosure obligations relating to those debt obligations (which includes a continuing obligation to make such filings with the Texas state information depository (the "SID")). Prior to the EMMA Effective Date, the Municipal Advisory Council of Texas (the "MAC") had been designated by the State and approved by the SEC staff as a qualified SID. Subsequent to the EMMA Effective Date, the MAC entered into a Subscription Agreement with the MSRB pursuant to which the MSRB makes available to the MAC, in electronic format, all Texas-issuer continuing disclosure documents and related information posted to EMMA’s website simultaneously with such posting. Until the District receives notice of a change in this contractual agreement between the MAC and EMMA or of a failure of either party to perform as specified thereunder, the District has determined, in reliance on guidance from the MAC, that making its continuing disclosure filinfgs solely with the MSRB will satisfy its obligations to make filings with the SID pursuant to its continuing disclosure agreements entered into prior to the EMMA Effective Date.

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

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 holders and beneficial owners of the Bonds. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the SEC Rule or a court of final jurisdiction enters judgment that such provisions of the SEC Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the District 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 …Within the past five years the District has complied in all material respects with its compliance with prior undertakings with the following exception: on January 14, 2026, the District filed a notice of failure to file disclosure for fiscal year end 2025. Unaudited financials were not available at the time of filing to provide information. The fiscal year end 2025 annual financial report was filed February 12, 2026, in accordance with Texas' extended deadline of February 2026 due to a delay in auditing guidelines for fiscal year end 2025.

OTHER INFORMATION

RATING… The Bonds have been rated "A" by S&P Global Ratings, Inc ("S&P") without regard to credit enhancement and "AAA" by S&P through by virtue of the guarantee of the corpus of the Permanent School Fund of the State of Texas. An explanation of the significance of such a rating may be obtained from Fitch. The rating reflects only the views of such organization and the District makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds. A rating is not a recommendation to buy, hold, or sell securities.

LITIGATION… On the date of delivery of the Bonds to the Underwriter, the District will execute and deliver to the Underwriter a certificate to the effect that, except as disclosed herein, no litigation of any nature has been filed or is pending, as of that date, to restrain or enjoin the issuance or delivery of the Bonds or which would affect the provisions made for payment or security or in any manner question the validity of the Bonds.

The District is not a party to any litigation or other 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 statements of the District.

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) thereof; 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 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.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS… Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code), provides that the Bonds constitute negotiable instruments, and are investment securities governed by Chapter 8, Texas Uniform Commercial Code, notwithstanding any provisions of law or court decision to the contrary, and are legal and authorized investments for banks, savings banks, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries, and, and for the sinking funds of cities, towns, villages, school districts, and other political subdivisions or public agencies of the State of Texas. The Bonds are eligible to secure deposits of any public funds of the state, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Chapter 2256, Texas Government Code), the Bonds may have to be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. See "OTHER INFORMATION - Rating" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least $1 million of capital, and savings and loan associations. The Bonds are eligible to sure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value.

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

Legal Matters… The District will furnish the Underwriter with a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of the State to the effect that the Bonds are valid and legally binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property in the District, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Law Office of Tony Torres PLLC, Edinburg, Texas and Winstead PC, San Antonio, Texas, Co-Bond Counsel, to the effect that the Bonds are valid and legally binding obligations of the District and, subject to the qualifications set forth herein under "TAX MATTERS" , the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under existing statutes, published rulings, regulations, and court decisions. Co-Bond Counsel has been retained by and only represents the District. A form of Co-Bond Counsel's opinion appears in Appendix D attached hereto.

Co-Bond Counsel was engaged by, and only represents, the District. Except as noted below, Co-Bond Counsel did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein except that in its capacity as Co-Bond Counsel, such firms have reviewed the information in this Official Statement appearing under the captions and subcaptions "PLAN OF FINANCE", "THE BONDS" (excluding the information under the subcaptions "Book-Entry-Only-System", "Bondholder Remedies", and "Use of Bond Proceeds"), "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS", "CURRENT PUBLIC SCHOOL FINANCE SYSTEM", TAX RATE LIMITATIONS – M&O Tax Rate Limitation (first paragraph only), "TAX MATTERS", "CONTINUING DISCLOSURE OF INFORMATION" (except the subsection entitled "Compliance with Prior Undertakings" as to which no opinion is expressed), the subcaptions under the heading "OTHER INFORMATION", "Registration and Qualification of Bonds for Sale", "Legal Investments and Eligibility to Secure Public Fund in Texas", and "Legal Matters" (excluding the last sentence of the second paragraph thereof), 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 Order. The legal fee to be paid Co-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 Underwriter by McCall, Parkhurst & Horton L.L.P., Austin, Texas, counsel to the Underwriter. McCall, Parkhurst & Horton L.L.P. also advises the TEA in connection with its disclosure objections under federal securities laws, but such firm has not passed upon any TEA disclosures contained in this Official Statement.

The various 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.

Authenticity of Financial Data and Other Information… The financial data and other information contained hereunder 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…Effective August 2, 2024, Texas State Bankshares, Inc., the registered bank holding company for Texas Regional Bank (collectively, "TRB"), completed its acquisition of Dallas-based investment banking group Estrada Hinojosa & Company, Inc. ("Estrada Hinojosa"). Estrada Hinojosa operates under TRB Capital Markets, LLC, a wholly-owned subsidiary of TRB, using the assumed name of "Estrada Hinojosa".

Estrada Hinojosa 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. Estrada Hinojosa, in its capacity as Financial Advisor, has relied on the opinion of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the 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.

Verification of Arithmetical and Mathematical Computations… The arithmetical accuracy of certain computations included in the schedules provided by Estrada Hinojosa on behalf of the District relating to (a) computation of forecasted receipts of principal and interest on the Escrowed Securities and the forecasted payments of principal and interest to redeem the Refunded Bonds, and (b) computation of the yields of the Bonds and the restricted Escrow Securities were verified by Causey Public Finance, LLC, Denver, Colorado, certified public accountants. Such verification will be relied upon by Co-Bond Counsel in rendering its opinions with respect to defeasance of the Refunded Bonds. Such computations were based solely on assumptions and information supplied by Estrada Hinojosa on behalf of the District. Causey Public Finance has restricted its procedures to verifying the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information on which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

Underwriting… The Underwriter has agreed, subject to certain conditions, to purchase the Bonds from the District at an underwriting discount of $_________. The Underwriter's obligation is subject to certain conditions precedent. The Underwriter will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such offering prices, and such public prices may be changed, from time to time, by the Underwriter.

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

The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriter and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of the Bonds and such public offering prices may be changed, from time to time, by the Underwriter.

Stifel, Nicolaus & Company, Incorporated ("Stifel") and its affiliates comprise a full service financial institution engaged in 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. Stifel and its affiliates may have provided, and may in the future provide, a variety of these services to the District and to persons and entities with relationships with the District, for which they received or will receive customary fees and expenses.

In the ordinary course of these business activities, Stifel and its affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans 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.

Stifel and its 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 clients that they should acquire such assets, securities and instruments. Such investment and securities activities may involve securities and instruments of the District.

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

The forward-looking statements 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.

The Bond Order authorized the Pricing Officer to approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorized the use of this Official Statement in the reoffering of the Bonds by the Underwriter. This Official Statement will be approved for distribution by the Pricing Officer of the District in accordance with the provisions of the Rule.

San Benito Consolidated Independent School District

/s/

Pricing Officer

SCHEDULE I

SCHEDULE OF REFUNDED BONDS*

Bonds		Maturity Date	Interest Rate	Original Principal Amount	Call Date	Call Price
U/L Tax Ref Bnds Ser 2016						
	Serials	2/15/2028	4.00%	$ 1,355,000	4/18/2026	100%
		2/15/2029	4.00%	1,415,000	4/18/2026	100%
		2/15/2030	5.00%	1,475,000	4/18/2026	100%
		2/15/2031	5.00%	1,550,000	4/18/2026	100%
		2/15/2032	4.00%	1,625,000	4/18/2026	100%
		2/15/2033	4.00%	1,685,000	4/18/2026	100%
		2/15/2034	4.00%	1,760,000	4/18/2026	100%
		2/15/2035	4.00%	1,830,000	4/18/2026	100%
		2/15/2036	4.00%	1,905,000	4/18/2026	100%
		2/15/2037	4.00%	1,985,000	4/18/2026	100%
Total Obligations to be Refunded				$ 16,585,000		

* Preliminary, subject to change.

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APPENDIX A

GENERAL INFORMATION REGARDING THE DISTRICT

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LOCATION

San Benito Consolidated Independent School District (the "District") is a political subdivision located in Cameron County, Texas. The District is approximately 101 square miles in area and serves a population of approximately 44,180

ADMINISTRATION

Policy making and supervisory functions are the responsibility of and are vested in a seven-member Board of Trustees (the "Board"). Members of the Board serve four-year staggered terms with elections being held in November of each even-numbered year. The Board delegates administrative responsibilities to the Superintendent of Schools.

ENROLLMENT AND FACILITIES

The District's physical campuses consists of eleven elementary schools (grades PK through 5), four middle schools (grades 6 through 8), one ninth grade campus, one high school (grades 10 through 12), and four alternative campuses.

Elementary Schools	11
Middle Schools	4
9th Grade Campus	1
High School	1
Alternative Schools	4
Total	**21**

AVERAGE DAILY ATTENDANCE

Historical average daily attendance for the District is as follows:

School Year	ADA
2015 - 2016	9,982
2016 - 2017	9,743
2017 - 2018	9,521
2018 - 2019	9,578
2019 - 2020	8,560
2020 - 2021	8,985
2021 - 2022	8,254
2022 - 2023	8,139
2023 - 2024	7,859
2024 - 2025	7,814
2025 - 2026	7,676

Source: Texas Municipal Advisory Council

HISTORICAL ENROLLMENT

Historical enrollment for the District is as follows:

School Year	Enrollment
2015 - 2016	10,899
2016 - 2017	10,643
2017 - 2018	10,468
2018 - 2019	10,520
2019 - 2020	10,250
2020 - 2021	9,728
2021 - 2022	9,211
2022 - 2023	9,354
2023 - 2024	9,126
2024 - 2025	9,073
2025 - 2026	8,625

Source: Texas Municipal Advisory Council

Cameron County Labor Force Statistics

	Cameron County			Texas		
	August 2025	August 2024	August 2023	August 2025	August 2024	August 2023
Civilian Labor Force	198,292	191,187	186,334	15,885,187	15,675,864	15,287,702
Total Employment	183,447	180,608	176,189	15,144,613	14,978,832	14,633,137
Total Unemployment	14,845	10,579	10,145	740,574	697,032	654,565
Percentage Unemployment	7.5%	5.5%	5.4%	4.7%	4.4%	4.3%

Source: Texas Labor Market Information

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APPENDIX B

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL AND COMPLIANCE REPORT

For the Fiscal Year Ended June 30, 2025

The information contained in this Appendix consists of excerpts from the San Benito Consolidated Independent School District Annual Financial and Compliance Report for the Fiscal 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.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
San Benito Consolidated Independent School District

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the San Benito Consolidated Independent School District, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the San Benito Consolidated Independent School District's basic financial statements as listed in the table of contents.

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

Emphasis of Matter

As described in Note 2 to the financial statements, in fiscal year 2025, the District adopted a new accounting guidance, GASB Statement No. 101, *Compensated Absences*, and recorded a prior period adjustment of $7,312,856 to restate beginning net position of governmental activities. Our opinion was not modified with respect to this matter.

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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 San Benito Consolidated Independent School District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's 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 generally accepted auditing standards 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 generally accepted auditing standards 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 San Benito Consolidated Independent School District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the San Benito Consolidated Independent School District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison of the General Fund, Pension and OPEB liabilities related schedules, and the related notes to the required supplementary 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 San Benito Consolidated Independent School District's basic financial statements. The combining fund financial statements and other supplemental information, as listed in the table of contents, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements, other supplemental information, 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.

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Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2026 on our consideration of the San Benito Consolidated Independent School District’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the San Benito Consolidated Independent School District’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering San Benito Consolidated Independent School District’s internal control over financial reporting and compliance.

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

Harlingen, Texas
February 11, 2026

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This section of the San Benito Consolidated Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the twelve months ended June 30, 2025. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The District's total combined net position (deficit) was $(2,437,639) at June 30, 2025. This amounted to a decrease of $(3,003,563) from prior year's total restated net position of $565,924.

- During the year, the District's expenses were $136,583,838. Revenues generated in taxes and other revenues for governmental activities were $133,580,275.
- The total cost of the District's programs decreased by $6,612,028 from last year. The decrease resulted from an overall decrease in expenditures primarily due to reduction of staffing, uniform reductions of operating budgets for campuses and departments, and a decrease in pension expense from prior year.
- The general fund reported a fund balance this year of $40,775,933 which was a decrease of $9,047,218 over the prior year due to ESSER funds being exhausted in prior years. The District anticipated the increase in general fund expenditures post-ESSER.
- The District received an "A" rating for the Financial Integrity Reporting System of Texas (FIRST) for 2024, earning 100 of 100 points.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Section of this Annual Comprehensive Financial and Compliance Report consists of five parts: (1) *management's discussion and analysis* (this section), (2) the *basic financial statements,* (3) *required supplementary information,* and (4) *supplementary information,(5) other information,* which is the section that presents additional information required by the Texas Education Agency.

The Management's Discussion and Analysis section is intended to serve as an introduction to the District's Basic Financial Statements. The District's Basic Financial Statements comprise three components: (1) Government-Wide Financial Statements (2) Fund Financial Statements, and (3) Notes to the Basic Financial Statements.

The basic financial statements include two kinds of statements that present different views of the District:

The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status. The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements*.*

- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Internal service fund* statements offer *short-* and *long-term* financial information about the activities the government operates *like businesses.*
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data.

The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-wide Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. All of the District's services are reported in the government-wide financial statements, including instructional, instructional leadership, student support services, general administration, support services, and debt services. Property taxes, state foundation funds and grants finance most of these activities.

The *statement of net position* presents information on all of the District's assets and deferred outflows and liabilities and deferred inflows, with the difference between the two reported as net position. Net position is one way to measure the District's financial health or *position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. To fully assess the overall health of the District; however, non-financial factors need to be considered as well, such as changes in the District's average daily attendance, its property tax base and the condition of the District's facilities.

The *statement of activities* presents information for all of the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements of the District are principally supported by taxes and intergovernmental revenues (governmental activities). All of the District's services are reported in the government-wide financial statements, including instructional leadership, student support services, general administration, support services and debt services.

Recently Issued Accounting Pronouncements

Recently issued accounting pronouncements that may be applicable to the District have been issued by the Governmental Accounting Standards Board as follows:

- GASB Statement No. 101, *Compensated Absences*
- GASB Statement No. 102, *Certain Risk Disclosures*

Fund Financial Statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related requirements. The fund financial statements provide more detailed information about the District's most significant *funds* – *not* the District as a whole.

Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and by bond covenants.

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

The District has the following kinds of funds:

Governmental funds: Government funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

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

The District maintains 28 governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and capital projects fund, which are considered to be major funds. Data from the other governmental funds are combined in a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in the financial statements. The District adopts an annual appropriated budget for its General Fund, Food Service Fund, and Debt Service Fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets.

Proprietary funds (753): Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. The District uses *internal service funds* to report activities for its self-funded health insurance.

Fiduciary funds (806 and 865): The District is the trustee, or *fiduciary*, for certain funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

Notes to Financial Statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. The Required Supplementary Information relates to comparison of the original adopted budget, the final amended budget, and the actual results for the fiscal year ended. This is required supplementary information for the general fund. The District did not have any major special revenue funds with a legally adopted budget, therefore, only the general fund is presented as Required Supplementary Information. Also included in RSI are the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions to the Teacher Retirement System Pension Plan (TRS), the Schedule of the District's Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions to the Teacher Retirement System OPEB Plan (TRS).

Supplementary Information

This Supplementary Information section contains information for the purpose for additional analysis and is not a required part of the basic financial statements. It includes compliance schedules required by the Texas Education Agency.

Government-Wide Financial Analysis

Presented in Tables I and III are summarized Statement of Net Position and Statement of Changes in Net Position for both current and prior-year data. Our analysis focuses on the current year and the comparison of prior-year amounts on the net position (Table I) and changes in net position (Table III) of the District's governmental activities.

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the year ended June 30, 2025, the District's liabilities and deferred inflows exceeded its assets and deferred outflows by $(2,437,639).

TABLE I
Net Position Summary

	Governmental Activities	
	June 30, 2025	June 30, 2024
Assets		
Current and other assets	**$ 82,685,423**	$ 77,586,014
Capital assets	**74,173,773**	91,359,727
Total assets	**156,859,196**	168,945,741
Deferred outflows of resources	**18,850,998**	22,873,419
Liabilities		
Current liabilities	**10,348,908**	12,049,169
Long-term liabilities	**80,374,553**	85,337,281
Net pension liabilities	**34,832,969**	40,388,686
Net OPEB liabilities	**24,436,495**	18,752,903
Total liabilities	**149,992,925**	156,528,039
Deferred inflows of resources	**28,154,908**	34,725,197
Net position		
Net investment in capital assets	**24,980,044**	23,361,145
Restricted	**8,827,310**	7,338,945
Unrestricted	**(36,244,993)**	(30,134,166)
Total net position (deficit)	**$ (2,437,639)**	$ 565,924

Unrestricted net position reflects a deficit in the amount of $(36,244,993) created from the implementation of GASB 68 and GASB 75 in prior periods for pension and OPEB. Although the District reports a deficit, the deficit is primarily due to reporting the District's proportionate share of the net pension and net OPEB liabilities. The total district liability is reported in the governmental activities; however, the actual liability does not require the use of current resources at the fund level, which results in a timing difference since the TRS plans are funded on a pay-as-you-go basis. The District has made all contractually required contributions and obligations as noted in the required supplementary information and has sufficient fund balance to meet the District's ongoing obligations to students and creditors.

Governmental Activities

The District's property tax rate decreased from $1.05867 per $100 to $1.028795 per $100 of taxable property value.

The total cost of all programs and services was $136,583,838; 50% of these costs are for instructional.

Table II presents the cost of each of the District's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all governmental activities this year was $136,583,838.
- However, the amount that our taxpayers paid for these activities through property taxes was only $15,498,933.
- The cost that was paid by those who directed benefited from the program was $800,709.
- The amount paid by operating grants and contributions was $30,793,781.
- The amount paid by capital grants and contributions was $71,583.

Settlement proceeds totaling $13,300,000 were received by the District in connection with projects previously reported as construction in progress that became subject to litigation. These proceeds were netted against $15,680,631 of construction in progress activity written off and reported as a ($2,380,631) special item - (use).

TABLE II
Net Cost of Selected District Functions

	Total Cost of Services		Net Cost of Services	
	2025	2024	**2025**	2024
Instruction	**$ 67,851,634**	$ 71,644,039	**$ (5,501,661)**	$ (58,255,102)
School leadership	**5,690,811**	6,120,859	**(5,658,253)**	(5,688,115)
Food services	**9,448,597**	9,430,722	**1,145,291**	1,055,945
Facilities maintenance and operations	**15,218,680**	15,843,408	**(14,896,814)**	(13,683,287)

Changes in Net Position

The net position of the District decreased by $3,003,563 for the year ended June 30, 2025. The total revenues from taxpayers, user service, grants, and other sources for the District was $133,580,275, a decrease over fiscal year 2024 of $6,838,591. The revenue decrease was attributable to the decrease in state and federal grants received. Additionally, there was a decrease in tax revenues. The completion of ESSER grant funds in prior years lead to an increase of General Funds expenditures, as anticipated by the district. Additionally, an increased homestead exemption contributed to lower tax revenues for the District. For 2024-2025 the District collected 91.52% of the tax levy, as opposed to 95.17% in 2023-2024. Total expenses for the 2025 fiscal year were $136,583,838 which is $6,612,028 less than the expenses for prior year. The decrease in governmental expenditures resulted from a reduction of staffing through attrition as well as a uniform reduction of operating budgets for campuses and departments. In addition, the non-employer contributing entity (NECE) total proportionate share of collective pension expense decreased from prior year resulting in less on behalf expenditures recorded in governmental activities.

TABLE III
Changes in Net Position

	Governmental Activities	
	June 30, 2025	June 30, 2024
Revenues		
Program revenues		
Charges for services	**$ 800,709**	$ 1,159,614
Operating grants and contributions	**30,793,781**	38,631,761
Capital grants and contributions	**71,583**	179,994
General revenues		
Property taxes	**15,498,933**	14,175,502
State and other grants	**85,657,122**	82,644,385
Investment earnings	**2,928,122**	3,191,856
Other	**210,656**	435,754
Special Item - (Use)	**(2,380,631)**	-
	$ 133,580,275	$ 140,418,866
Expenses		
Instruction	**$ 67,851,634**	$ 71,644,039
Instruction resources and media services	**1,874,993**	2,143,623
Curriculum and staff development	**1,852,814**	2,464,822
Instructional leadership	**4,007,939**	4,344,621
School leadership	**5,690,811**	6,120,859
Guidance, counseling and evaluation services	**4,190,360**	4,292,812
Social work services	**594,601**	582,378
Health services	**1,345,035**	1,435,855
Student (pupil) transportation	**3,931,970**	4,106,460
Food services	**9,448,597**	9,430,722
Extracurricular activities	**4,120,836**	4,158,228
General administration	**6,899,362**	5,775,999
Facilities maintenance and operations	**15,218,680**	15,843,408
Security and monitoring services	**3,459,663**	4,430,179
Data processing services	**2,411,469**	2,636,782
Community services	**880,787**	825,548
Debt service		
Interest on long-term debt	**2,798,187**	2,956,631
Payments to Juvenile Justice Alternative Ed. Prg.	**6,100**	2,900
Total expenses	**136,583,838**	143,195,866
Change in net position	**(3,003,563)**	(2,777,000)
Net position - beginning as previously reported	**(6,746,932)**	(3,969,932)
Adjustment - change in accounting principle	**7,312,856**	-
Net position - beginning, as adjusted	**565,924**	(3,969,932)
Net position - ending	**$ (2,437,639)**	$ (6,746,932)

The District's total revenues were $133,580,275. A significant portion, 86%, of the District's revenue comes from state aid – formula grants, operating grant, and capital grants compared to 10% from local taxes.

The Net Position of the District decreased by $3,003,563 for the year ended June 30, 2025, which was directly attributable to the continued the decrease in federal grants received.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance related legal requirements, bond covenants, and segregation for particular purposes. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of a fiscal year.

General Fund. The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the General fund was $31,326,325, while total fund balance reached $40,775,933. As a measure of the general fund's liquidity; it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balances represents 26.19% of total general fund expenditures, while total fund balance represents 34.09% of total general fund expenditures. Fund balance in the general fund decreased for the fiscal year due to an increased amount of expenditures being paid through the District's general fund due to exhaustion of ESSER III grant funding; additionally, the District had a decrease in revenues attributed to less tax revenues. This was due to a larger homestead exemption that was granted statewide. For 2024-2025 the District collected 91.52% of the tax levy, as opposed to 95.17% in 2023-2024.

The $31,326,325 of unassigned fund balance gives the District a balance that is the equivalent of 95.59 days of expenditures. This fund balance is adequate to minimize the likelihood of the District entering the short-term debt market to pay for current operating expenditures.

Capital Projects Fund. The capital projects fund ended with $29,248,672 restricted for capital acquisition and contractual fund balance and a total fund balance of $29,380,913. This is an increase of $14,444,598 from prior year fund balance. This is due to the District receiving a $13.1 million settlement from the contractor's bonding company as a result of being held in default. The previously planned NAT/PAC projects will begin at a new District site in the latter part of the 2025-2026 fiscal year. As of June 30, 2025, construction has yet to begin at the new construction sites.

As of June 30, 2025, the District's governmental funds reported a combined ending fund balance of $71,904,555, an increase of $6,062,771 from last year. Of the total fund balance, $40,775,993 is for general fund and of that, $31,326,325 constitutes unassigned fund balance. The remainder of fund balance is non-spendable, restricted, committed or assigned for particular purposes as follows for general fund:

TABLE IV
General Funds – Fund Balances

June 30,	**2025**	2024
Nonspendable		
Inventories	**$ 757,912**	$ 747,301
Prepayments	**1,680,339**	1,491,590
Restricted		
Grant funds	**7,011,357**	6,497,695
Unassigned		
Unassigned	**31,326,325**	41,086,565
Total Fund Balance	**$ 40,775,933**	$ 49,823,151

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2025, the District had invested $71,572,265 in a broad range of capital assets, including land, equipment, buildings, and vehicles. More detailed information about the District's capital assets is presented in the Note 3 of the footnotes to the financial statements.

TABLE V
Capital Assets

	Governmental Activities (In thousands of dollars)	
June 30,	**2025**	2024
Land	**$ 9,493**	$ 9,459
Construction in Progress	**70**	21,398
Buildings and improvements	**208,248**	198,528
Furniture and equipment	**18,394**	18,151
Vehicles	**10,805**	10,656
Leases	**2,920**	2,920
Total assets at historical cost	**249,930**	261,112
Accumulated depreciation	**(178,358)**	(170,807)
Net capital assets	**$ 71,572**	$ 90,305

Right-to-use assets

The District has recorded right-to-use assets as a result of implementing GASB 87. The right-to-use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. At the end of 2025, the District had invested $1,581,440 in assets which is comprised of copier machines and a postage meter. (See Table VI Leased equipment).

TABLE VI Leased Equipment

June 30,	**2025**	2024
Leased equipment	**$ 1,581,440**	$ 1,581,440
Totals at historical cost	**1,581,440**	1,581,440
Total accumulated amortization	**(1,177,275)**	(829,545)
Net Right-to-Use assets	**$ 404,165**	$ 751,895

Additional information is disclosed in Note 3 of the footnotes to the financial statements.

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Subscription-Based Technology Arrangements (SBITA's)

The District has recorded Subscription-Based Technology Arrangements (SBITAs) assets and liabilities as a result of implementing GASB 96. The SBITA assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any SBITA payments made prior to the subscription term, less SBITA incentives, and plus ancillary charges necessary to place the SBITA into service. The SBITA assets are amortized on a straightline basis over the life of the related contract. SBITAs which are based on variable payments are not recorded as subscription assets or liabilities and expensed as incurred. At the end of 2025, the District had invested $4,478,753 in subscriptions. (See Table VI SBITA).

TABLE VI SBITA

June 30,	**2025**	2024
SBITA assets	**$ 4,478,753**	$ 2,004,697
Totals at historical costs	**4,478,753**	2,004,697
Total accumulated amortization	**(2,281,410)**	(1,702,025)
Net SBITA Assets	**$ 2,197,343**	$ 302,672

Additional information is disclosed in Note 3 of the footnotes to the financial statements.

Long-term Debt

Bond Ratings

The District's bonds presently carry "A" ratings assigned by Standard & Poor Ratings.

The District had $139,644,017 in bonds, related premiums/discounts and other long-term liabilities as shown in Table VI. More detailed information about the District's debt is presented in the Note 3 of the footnotes to the financial statements.

TABLE VI Long-term Debt

	Governmental Activities (In thousands of dollars)	
	2025	2024
Bonds payable	**$ 73,190**	$ 78,235
Premiums	**4,374**	4,777
Financing Agreement	**990**	1,217
Leased Liabilities	**410**	758
SBITA Liabilities	**889**	54
Compensated absences	**522**	296
Net pension liability	**34,833**	40,389
Net OPEB liability	**24,436**	18,753
Totals	**$ 139,644**	$ 151,792

Additional information is disclosed in Note 3 of the footnotes to the financial statements.

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FINANCIAL STATEMENTS

EXHIBIT A-1

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2025

Data Control Codes			Primary Government Governmental Activities
	ASSETS		
1110	Cash and Cash Equivalents	$	51,948,477
1120	Current Investments		5,667,594
1220	Property Taxes - Delinquent		2,833,286
1230	Allowance for Uncollectible Taxes		(283,328)
1240	Due from Other Governments		19,782,150
1290	Other Receivables, Net		164,152
1300	Inventories		890,153
1410	Prepayments		1,682,939
	Capital Assets:		
1510	Land		9,493,274
1520	Buildings, Net		53,367,600
1530	Furniture and Equipment, Net		5,721,448
1540	Other Capital Assets, Net		2,920,412
1550	Right-to-Use Leased Assets, Net		404,165
1553	SBITA Assets, Net		2,197,343
1580	Construction in Progress		69,531
1000	Total Assets		156,859,196
	DEFERRED OUTFLOWS OF RESOURCES		
1701	Deferred Charge for Refunding		1,451,245
1705	Deferred Outflow Related to TRS Pension		7,342,567
1706	Deferred Outflow Related to TRS OPEB		10,057,186
1700	Total Deferred Outflows of Resources		18,850,998
	LIABILITIES		
2110	Accounts Payable		1,587,137
2140	Interest Payable		1,101,040
2150	Payroll Deductions and Withholdings		173,292
2160	Accrued Wages Payable		6,356,320
2180	Due to Other Governments		1,016,594
2200	Accrued Expenses		110
2300	Unearned Revenue		114,415
	Noncurrent Liabilities:		
2501	Due Within One Year: Loans, Note, Leases, etc.		5,855,425
	Due in More than One Year:		
2502	Bonds, Notes, Loans, Leases, etc.		74,519,128
2540	Net Pension Liability (District's Share)		34,832,969
2545	Net OPEB Liability (District's Share)		24,436,495
2000	Total Liabilities		149,992,925
	DEFERRED INFLOWS OF RESOURCES		
2605	Deferred Inflow Related to TRS Pension		2,789,561
2606	Deferred Inflow Related to TRS OPEB		25,365,347
2600	Total Deferred Inflows of Resources		28,154,908
	NET POSITION		
3200	Net Investment in Capital Assets and Right-to-Use Lease Assets		24,980,044
	Restricted:		
3820	Restricted for Federal and State Programs		7,476,392
3850	Restricted for Debt Service		1,350,918
3900	Unrestricted		(36,244,993)
3000	Total Net Position	$	(2,437,639)

The notes to the financial statements are an integral part of this statement.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

Data Control Codes		1 Expenses	Program Revenues 3 Charges for Services	Program Revenues 4 Operating Grants and Contributions
	Primary Government:			
	GOVERNMENTAL ACTIVITIES:			
11	Instruction	$ 67,851,634	$ -	$ 12,349,973
12	Instructional Resources and Media Services	1,874,993	-	22,259
13	Curriculum and Instructional Staff Development	1,852,814	-	1,472,450
21	Instructional Leadership	4,007,939	-	2,066,941
23	School Leadership	5,690,811	-	32,558
31	Guidance, Counseling, and Evaluation Services	4,190,360	-	861,087
32	Social Work Services	594,601	-	111,742
33	Health Services	1,345,035	198,325	21,318
34	Student (Pupil) Transportation	3,931,970	-	72,308
35	Food Services	9,448,597	326,903	10,266,985
36	Extracurricular Activities	4,120,836	-	395,739
41	General Administration	6,899,362	275,481	21,560
51	Facilities Maintenance and Operations	15,218,680	-	250,283
52	Security and Monitoring Services	3,459,663	-	1,379,526
53	Data Processing Services	2,411,469	-	(7,510)
61	Community Services	880,787	-	737,079
72	Debt Service - Interest on Long-Term Debt	2,798,187	-	614,226
93	Payments Related to Shared Services Arrangements	-	-	125,257
95	Payments to Juvenile Justice Alternative Ed. Prg.	6,100	-	-
[TP]	TOTAL PRIMARY GOVERNMENT:	$ 136,583,838	$ 800,709	$ 30,793,781

Data Control Codes	
	General Revenues:
	Taxes:
MT	Property Taxes, Levied for General Purposes
DT	Property Taxes, Levied for Debt Service
SF	State Aid - Formula Grants
GC	Grants and Contributions not Restricted
IE	Investment Earnings
MI	Miscellaneous Local and Intermediate Revenue
S2	Special Item - (Use)
TR	Total General Revenues and Special Items
CN	Change in Net Position
NB	Net Position - Beginning as Previously Reported
PA	Prior Period Adjustment
	Net Position - Beginning as Restated and Adjusted
NE	Net Position - Ending

The notes to the financial statements are an integral part of this statement.

	Net (Expense) Revenue and Changes in Net Position
5	6
Capital Grants and Contributions	Governmental Activities
$ -	$ (55,501,661)
-	(1,852,734)
-	(380,364)
-	(1,940,998)
-	(5,658,253)
-	(3,329,273)
-	(482,859)
-	(1,125,392)
-	(3,859,662)
-	1,145,291
-	(3,725,097)
-	(6,602,321)
71,583	(14,896,814)
-	(2,080,137)
-	(2,418,979)
-	(143,708)
-	(2,183,961)
-	125,257
-	(6,100)
$ 71,583	(104,917,765)
	11,079,040
	4,419,893
	85,630,822
	26,300
	2,928,122
	210,656
	(2,380,631)
	101,914,202
	(3,003,563)
	(6,746,932)
	7,312,856
	565,924
	$ (2,437,639)

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025

Data Control Codes		10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
	ASSETS				
1110	Cash and Cash Equivalents	$ 16,876,748	$ 30,108,372	$ 4,589,442	$ 51,574,562
1120	Investments - Current	5,667,594	-	-	5,667,594
1220	Property Taxes - Delinquent	2,165,374	-	667,912	2,833,286
1230	Allowance for Uncollectible Taxes	(216,537)	-	(66,791)	(283,328)
1240	Due from Other Governments	15,750,828	-	4,031,322	19,782,150
1260	Due from Other Funds	17,178,999	-	313,363	17,492,362
1290	Other Receivables	163,589	-	563	164,152
1300	Inventories	757,912	132,241	-	890,153
1410	Prepayments	1,680,339	-	2,600	1,682,939
1000	Total Assets	$ 60,024,846	$ 30,240,613	$ 9,538,411	$ 99,803,870
	LIABILITIES				
2110	Accounts Payable	$ 179,736	$ 859,700	$ -	$ 1,039,436
2150	Payroll Deductions and Withholdings Payable	-	-	173,292	173,292
2160	Accrued Wages Payable	5,501,189	-	855,131	6,356,320
2170	Due to Other Funds	11,017,478	-	5,179,969	16,197,447
2180	Due to Other Governments	50,000	-	966,594	1,016,594
2190	Due to Student Groups	14	-	-	14
2200	Accrued Expenditures	110	-	-	110
2300	Unearned Revenue	99,819	-	14,596	114,415
2000	Total Liabilities	16,848,346	859,700	7,189,582	24,897,628
	DEFERRED INFLOWS OF RESOURCES				
2601	Unavailable Revenue - Property Taxes	1,948,837	-	601,120	2,549,957
2602	Unavailable Revenue - Other	451,730	-	-	451,730
2600	Total Deferred Inflows of Resources	2,400,567	-	601,120	3,001,687
	FUND BALANCES				
	Nonspendable Fund Balance:				
3410	Inventories	757,912	132,241	-	890,153
3430	Prepaid Items	1,680,339	-	-	1,680,339
	Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	7,011,357	-	465,035	7,476,392
3470	Capital Acquisition and Contractural Obligation	-	29,248,672	-	29,248,672
3480	Retirement of Long-Term Debt	-	-	1,350,918	1,350,918
	Committed Fund Balance:				
3545	Other Committed Fund Balance	-	-	201,298	201,298
3600	Unassigned Fund Balance	31,326,325	-	(269,542)	31,056,783
3000	Total Fund Balances	40,775,933	29,380,913	1,747,709	71,904,555
4000	Total Liabilities, Deferred Inflows & Fund Balances	$ 60,024,846	$ 30,240,613	$ 9,538,411	$ 99,803,870

The notes to the financial statements are an integral part of this statement.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
JUNE 30, 2025

EXHIBIT C-2

	Total Fund Balances - Governmental Funds	$ 71,904,555
1	The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, 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 position. The net effect of this consolidation is to decrease net position.	(1,468,687)
2	Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. The cost of these assets was $249,930,205 and the accumulated depreciation was ($178,357,940). The net effect of including the capital assets (net of accumulated depreciation) in the governmental activities is to increase net position.	71,572,265
3	Right-to-use lease and SBITA assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. The cost of these assets was $1,581,440 and $4,478,753 and the accumulated amortization was ($1,177,275) and ($2,281,410). The net effect of including the capital assets (net of accumulated depreciation) in the governmental activities is to increase net position.	2,601,508
4	Property taxes receivable and amounts due from other governments will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are unavailable in the funds.	3,001,687
5	Gains/losses on defeasance of debt refunds are recognized as deferred outflows or inflows of resources and amortized over the remaining life of debt or the life of the new debt, whichever is shorter, as an increase or (decrease) in net position. Deferred inflows/outflows due to debt refundings are not reported in the funds.	1,451,245
6	Long-term liabilities, including bonds payable ($73,190,000), financing agreements ($990,101), accrued interest ($1,101,040), lease liability ($409,799), and SBITA liabilities ($888,719), are not due and payable in the current period and therefore are not reported in the funds.	(76,579,659)
7	Long-term liabilities for compensated absences ($521,766) are not due and payable in the current period and therefore are not reported in the funds. In addition, premiums ($4,374,168) resulting from the issuance of bonds are not reported in the funds.	(4,895,934)
8	Included in noncurrent liabilities is the recognition of the District's proportionate share of the net pension liability required by GASB Codification Section P20 in the amount of ($34,832,969), deferred resource inflows related to TRS pensions in the amount of ($2,789,561), and deferred resource outflows related to TRS pensions in the amount of $7,342,567. This resulted in a decrease of net position.	(30,279,963)
9	Included in noncurrent liabilities is the recognition of the District's proportionate share of the OPEB liability required by GASB Codification Section P50 in the amount of ($24,436,495), deferred resource inflows related to TRS OPEB in the amount of ($25,365,347), and deferred resource outflows related to TRS OPEB in the amount of $10,057,186. This resulted in a decrease of net position.	(39,744,656)
29	**Net Position of Governmental Activities**	$ (2,437,639)

The notes to the financial statements are an integral part of this statement.

SAN BENITO CONSOLIDATED 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 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 14,045,045	$ 1,161,757	$ 4,938,024	$ 20,144,826
5800	State Program Revenues	88,338,508	-	6,765,144	95,103,652
5900	Federal Program Revenues	10,351,910	-	13,831,100	24,183,010
5020	Total Revenues	112,735,463	1,161,757	25,534,268	139,431,488
	EXPENDITURES:				
	Current:				
0011	Instruction	60,773,249	-	9,723,169	70,496,418
0012	Instructional Resources and Media Services	1,792,560	-	34,947	1,827,507
0013	Curriculum and Instructional Staff Development	331,350	-	1,499,261	1,830,611
0021	Instructional Leadership	1,855,663	-	2,118,684	3,974,347
0023	School Leadership	5,341,753	-	129,641	5,471,394
0031	Guidance, Counseling, and Evaluation Services	3,121,168	-	935,430	4,056,598
0032	Social Work Services	450,602	-	119,072	569,674
0033	Health Services	1,249,039	-	41,949	1,290,988
0034	Student (Pupil) Transportation	3,732,936	-	102,400	3,835,336
0035	Food Services	9,895,002	-	-	9,895,002
0036	Extracurricular Activities	3,501,617	-	419,564	3,921,181
0041	General Administration	4,418,535	-	9,108	4,427,643
0051	Facilities Maintenance and Operations	14,346,375	-	41,564	14,387,939
0052	Security and Monitoring Services	2,754,586	-	1,364,074	4,118,660
0053	Data Processing Services	2,282,374	-	-	2,282,374
0061	Community Services	142,529	-	742,504	885,033
	Debt Service:				
0071	Principal on Long-Term Liabilities	864,423	-	6,395,209	7,259,632
0072	Interest on Long-Term Liabilities	23,613	-	3,094,149	3,117,762
0073	Bond Issuance Cost and Fees	3,250	-	38,844	42,094
	Capital Outlay:				
0081	Facilities Acquisition and Construction	2,496,586	17,159	71,583	2,585,328
	Intergovernmental:				
0093	Payments to Fiscal Agent/Member Districts of SSA	-	-	125,257	125,257
0095	Payments to Juvenile Justice Alternative Ed. Prg.	6,100	-	-	6,100
0099	Other Intergovernmental Charges	235,895	-	-	235,895
6030	Total Expenditures	119,619,205	17,159	27,006,409	146,642,773
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,883,742)	1,144,598	(1,472,141)	(7,211,285)
	OTHER FINANCING SOURCES (USES):				
7913	SBITA Issuances	336,524	-	2,137,532	2,474,056
7915	Transfers In	1,294,439	-	-	1,294,439
8911	Transfers Out (Use)	(3,794,439)	-	-	(3,794,439)
7080	Total Other Financing Sources (Uses)	(2,163,476)	-	2,137,532	(25,944)
	SPECIAL ITEMS:				
7918	Special Item - Resource	-	13,300,000	-	13,300,000
1200	Net Change in Fund Balances	(9,047,218)	14,444,598	665,391	6,062,771
0100	Fund Balance - July 1 (Beginning)	49,823,151	14,936,315	1,082,318	65,841,784
3000	Fund Balance - June 30 (Ending)	$ 40,775,933	$ 29,380,913	$ 1,747,709	$ 71,904,555

The notes to the financial statements are an integral part of this statement.

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

Total Net Change in Fund Balances - Governmental Funds	$ 6,062,771
The District uses internal service funds to charge the costs of certain activities, such as self-insurance, to appropriate functions in other funds. The net income (loss) of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net position.	262,726
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets, $4,726,400, are allocated over their useful lives as depreciation expense which totaled ($7,730,435) at year-end. This is the amount of depreciation in exces of capital outlay expense in the current year.	(3,004,035)
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those right to use lease and SBITA assets, $2,474,056, are allocated over their useful lives as amortization expense which totaled ($927,115) at year-end. This is the amount of amortization in exces of capital outlay expense in the current year.	1,546,941
Property taxes and other revenues in the statement of activities do not provide current financial resources and are not reported as revenues in the funds.	397,328
Repayment of bonds payable $5,045,000, financing agreements $226,792, lease agreements $348,038, and SBITA agreements $1,639,802 are reported as expenditures in the funds but are not an expense in the statement of activities. Also included, is the issuance of new lease agreements ($2,474,056) that are reported as other financing sources in the funds but increase long-term liabilities in the statement of net position.	4,785,576
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing changes in compensated absences ($226,026), amortization of bond premiums $403,178, changes to deferred charges ($160,548), and changes in accrued interest payable $76,845. The net effect of these reclassifications and recognitions is to increase the change in net position.	93,449
In the statement of activities, only the net impact on the retirements of capital assets ($15,909,073), and related depreciation $180,213 are reported.	(15,728,860)
GASB Codification Section P20 requires that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused this change in ending net position to increase by $2,615,181. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in the net pension liability. This caused a decrease in the change in net position totaling ($2,663,070). Finally the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense increased the change in net position by ($1,359,807). The net result is a decrease in the change in net position.	(1,407,696)
GASB Codification Section P50 requires that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused this change in ending net position to increase by $606,057. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in the net OPEB liability. This caused a decrease in the change in net position totaling ($614,912). Finally the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense decreased the change in net position by $3,997,092. The net result is an increase in the change in net position.	3,988,237
Change in Net Position of Governmental Activities	$ (3,003,563)

The notes to the financial statements are an integral part of this statement.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2025

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets:	
Cash and Cash Equivalents	$ 373,915
Due from Other Funds	3,810,938
Total Assets	4,184,853
LIABILITIES	
Current Liabilities:	
Accounts Payable	555,233
Due to Other Funds	5,098,307
Total Liabilities	5,653,540
NET POSITION	
Unrestricted Net Position	(1,468,687)
Total Net Position	$ (1,468,687)

The notes to the financial statements are an integral part of this statement.

EXHIBIT D-2

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	Governmental Activities - Internal Service Fund
OPERATING REVENUES:	
Local and Intermediate Sources	$ 9,547,239
Total Operating Revenues	9,547,239
OPERATING EXPENSES:	
Professional and Contracted Services	11,766,950
Supplies and Materials	320
Other Operating Costs	17,243
Total Operating Expenses	11,784,513
Income Before Transfers	(2,237,274)
Transfers In	2,500,000
Change in Net Position	262,726
Total Net Position - July 1 (Beginning)	(1,731,413)
Total Net Position - June 30 (Ending)	$ (1,468,687)

The notes to the financial statements are an integral part of this statement.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	Governmental Activities - Internal Service Fund
Cash Flows from Operating Activities:	
Cash Received from User Charges	$ 9,677,544
Cash Payments for Insurance Claims	(11,815,261)
Cash Payments for Other Operating Expenses	(17,243)
Net Cash Used for Operating Activities	(2,154,960)
Cash Flows from Non-Capital Financing Activities:	
Transfers In	2,500,000
Net Increase in Cash and Cash Equivalents	345,040
Cash and Cash Equivalents at Beginning of Year	28,875
Cash and Cash Equivalents at End of Year	$ 373,915
Reconciliation of Operating Income (Loss) to Net Cash Used for Operating Activities:	
Operating Income (Loss):	$ (2,237,274)
Effect of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Receivables	112,742
Increase (decrease) in Accounts Payable	(57,598)
Increase (decrease) in Due to Other Funds	27,170
Net Cash Used for Operating Activities	$ (2,154,960)

The notes to the financial statements are an integral part of this statement.

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2025

	Private Purpose Trust Funds	Total Custodial Funds
ASSETS		
Cash and Cash Equivalents	$ 97,289	$ 383,403
Other Receivables	3,000	1,395
Total Assets	100,289	384,798
LIABILITIES		
Accounts Payable	85,445	-
Due to Other Funds	-	7,546
Unearned Revenues	6,106	-
Total Liabilities	91,551	7,546
NET POSITION		
Restricted for Other Purposes	8,738	377,252
Total Net Position	$ 8,738	$ 377,252

The notes to the financial statements are an integral part of this statement.

EXHIBIT E-2

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

	Private Purpose Trust Funds	Total Custodial Funds
ADDITIONS:		
Miscellaneous Revenue - Student Activities	$ -	$ 569,899
Earnings from Temporary Deposits	3,107	29,299
Total Additions	3,107	599,198
DEDUCTIONS:		
Professional and Contracted Services	-	84,985
Supplies and Materials	-	4,023
Other Deductions	-	498,247
Total Deductions	-	587,255
Change in Fiduciary Net Position	3,107	11,943
Total Net Position - July 1 (Beginning)	5,631	365,309
Total Net Position - June 30 (Ending)	$ 8,738	$ 377,252

The notes to the financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The San Benito Consolidated Independent School District (the "District") is an independent public education agency operating under applicable laws and regulations of the State of Texas. This report includes the financial statements of the funds required to account for those activities, organizations and functions, which are related to the District and which are controlled by or dependent upon the District's governing body, the Board of Trustees. The Board of Trustees (the Board), includes seven eligible members elected at large by the qualified voters of the San Benito Consolidated Independent School District. The Board has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (TEA) or to the State Board of Education are reserved for the Board, and TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board.

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

The District is considered an independent entity for financial reporting purposes and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared, based on considerations regarding the potential for inclusion of other entities, organizations, or functions, as part of the District's financial reporting entity. Based on these considerations, no other entities have been included in the District's financial reporting entity. Blended component units are, in substance, part of the primary government's operations even though they are legally separate entities. Thus blended component units are appropriately presented as funds of the primary government. The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other government or other type of reporting entity.

In evaluating the District as a reporting entity, management has considered all potential component units in accordance with Section 2100: *Defining the Financial Reporting Entity* of the Governmental Accounting Standards Board (GASB) Codification. The criteria used to determine whether an organization is a component unit of the District includes: financial accountability of the District for the component unit, appointment of a voting majority, fiscal dependency, ability to impose the District's will on the component unit, and whether there is a financial benefit or burden to the District.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Blended Component Units

For financial reporting purposes, the San Benito Consolidated Independent School District Public Facility Corporation ("PFC") is included in the operations and activities of the District because of the fiscal dependency criteria whereby the PFC serves the District exclusively.

The San Benito Consolidated Independent School District Public Facility Corporation, a blended component unit, was organized to finance the construction of a new elementary campus for the District. SBCISD PFC is governed by a Board of Directors composed of the San Benito Consolidated Independent School District Board of Trustees. The SBCISD PFC is blended as part of the governmental activities.

Government-Wide Statements and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. Governmental activities are supported by tax revenues, state aid, charges for services, investment earnings and intergovernmental revenues such as grants.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For property taxes, the District considers revenues to be available if they are collected with 60 days of the end of the current fiscal period and for grant revenues, the District considers revenues to be available if they are collected within 90 days after year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgements, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

The proprietary, custodial and private purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

Government-Wide Financial Statements

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

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

Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary funds and blended component units. Separate statements for each fund category- governmental, proprietary, and fiduciary- are presented. The emphasis of fund financial statements is on major governmental funds, and internal service funds and fiduciary funds each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Fiduciary funds are used to report assets held in a trustee or custodial capacity for others that cannot be used to support the government's own programs. Custodial funds are purely custodial and do not involve measurement of results of operations.

The District reports the following major governmental fund:

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

Capital projects funds is used to account for the proceeds received from long-term debt issuances, revenues and expenditures related to authorized construction, and other capital asset acquisitions.

In addition, the District reports the following fund types:

The *debt service fund* is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

Special revenue funds are used to account for resources restricted to, or designated for, a specific purpose by the District or a grantor. Most federal and some state financial award programs are accounted for in these funds and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Internal service funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the uses of support services on a cost reimbursement basis. The District uses this fund to account for claim payments and administrative costs paid for the District's self-fund health insurance, modified self-funded workers' compensation plan and employee benefits provided for the employees.

Private purpose trust funds are used to account for donations for which the donor stipulated that both the principal and the income may be used for purposes that benefit parties outside the District. The District's Private Purpose Trust Funds include the General Scholarship Fund, the Fallingant Trust and Montemayor Memorial Trust Fund.

The *custodial funds* account for resources held for others in a custodial capacity. The District's Custodial Fund is the Student Activity Fund.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements (Continued)

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

Budgetary Information

The Board adopts an “appropriated budget” on a basis consistent with GAAP for the general fund, debt service fund and the child nutrition fund (which is included in special revenue funds). At a minimum, the District is required to present the original and the final amended budgets for revenues and expenditures compared to actual revenues and expenditures for these three funds.

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

- Prior to June 30th for a fiscal year start date of July 1, the District prepares a budget based on the modified zero-based budgeting concept for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- After one or more budget workshops with the Board, a meeting is called for the purpose of adopting the proposed budget. At least ten days but not more than 30 days public notice of the meeting is required.
- Prior to June 30^{th} for a fiscal year start date of July 1, the Board legally adopts the budget for the general fund, debt service fund and the child nutrition fund.
- After the budgets for the above listed funds are approved, any amendment that causes an increase or decrease in a functional category requires Board approval prior to the fact. These amendments are presented to the Board at its regular monthly meeting and are reflected in the official minutes. Because the District has a policy of careful budgetary control, several budgetary amendments were necessary throughout the year.
- Expenditure budgets are controlled at the expenditure functional level by the appropriate budget manager (principal, department director or divisional administrator). Budget managers may authorize transfers within functional categories that do not affect the total functional appropriation. All budget appropriations lapse at year-end.

Encumbrance accounting, under which purchase orders, contracts and other commitments are recorded in order to reserve that portion of the applicable appropriation, is used in all governmental funds. Encumbrances outstanding at year-end are commitments that do not constitute expenditures or liabilities. Since appropriations lapse at the end of each year, outstanding encumbrances at that time are either cancelled or appropriately provided for in the subsequent fiscal year’s budget to provide for the liquidation of the prior commitments.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Information (Continued)

Over the course of the year, the District revised the budget numerous times. At the end of the fiscal year, actual expenditures were $8,230,322 below final budget amounts, although there were expenditures in several functional categories that exceeded budgeted appropriations. The most significant positive variance occurred in the food service function while the most significant negative variance occurred in the debt service: principal on long-term liabilities functional category.

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

Cash and Cash Equivalents

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

Investments

Investments for the District are reported at fair value (generally based on quoted market prices) except for the position in the external investment pools. Investment pools meet all of the specified criteria in Section I50: *Investments* to qualify to elect to measure their investments at amortized cost. Accordingly, the fair value of the District's position in the pools is equal to the value of the pooled shares.

Interfund Activities and Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" within the fund financial statements. Long-term borrowings between funds are classified as "advances to other funds" or "advances from other funds" in the fund financial statements. These amounts are eliminated in the governmental activities column in the statement of net position.

Interfund transactions are reported as services provided, reimbursements, or transfers. Services provided, deemed to be at or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when a fund incurs a cost, charges the appropriate benefitting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between funds are netted as part of the reconciliation to the government-wide presentation.

Inventory and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies and maintenance repair parts. The cost of such inventories is recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures when consumed rather that when purchased.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at their acquisition value at the date of the donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of $5,000 is used. Land and construction in progress are not depreciated. The other capital assets are being depreciated using the straight-line method over the following estimated useful lives:

Assets Class	Estimated Useful Lives
Buildings improvements	5-20
Infrastructure	30
Buildings	52
Vehicles	2-15
Furniture and equipment	2-15
Right to Use Assets	2-5
SBITA's	2-10

Right to Use Assets

The District has recorded right to use lease assets as a result of the implementation of GASB 87, and right to use SBITA assets as a result of the implementation of GASB 96. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease/SBITA liability plus any lease/SBITA payments made prior to the lease/subscription term, less incentives, and plus ancillary charges necessary to place the lease/SBITA into service. The right to use assets are amortized on a straight-line basis over the life of the related lease/SBITA.

Deferred Outflows and 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 outflow 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 as deferred outflows of resources. The deferred amount on refunding and the deferred outflows related to pension and OPEB, both reported in the government-wide statement of net position. The deferred amount on refunding results from debt refinancing, whereby the reacquisition price of the funding debt instruments exceed their net carrying amount. The deferred amount on refunding is amortized over the shorter of the life of the refunded or refunding debt.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows and Inflows of Resources (continued)

The deferred outflows related to pensions and OPEB are an aggregate of items related to pensions and OPEB as calculated in accordance with GASB Codification Section P20: *Pension Activities- Reporting for Benefits Provided through Trusts that Meet Specified Criteria*. The deferred outflows related to pensions and OPEB will be recognized as either pension or OPEB expense or a reduction in the net pension liability or net OPEB liability in the General Fund in future reporting years.

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 items that qualify for reporting as deferred inflows of resources. The deferred inflows related to pensions and OPEB are an aggregate of items related to pensions and OPEB as calculated in accordance with GASB Codification Section P20: Pension Activities- Reporting for Benefits Provided through Trusts that Meet Specified Criteria. The deferred inflows related to pensions and OPEB will be recognized as a reduction to pension and OPEB expense in future reporting years.

Unavailable revenue, which arises only under a modified accrual basis of accounting, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Compensated Absences

The District accumulated earned but unused state and local personal leave days and recorded an estimated accrued leave at the end of the year. Total estimated accrued leave includes leave that is more likely than not to be used for time off or otherwise paid and is recorded in the government-wide financial statements and is measured using the LIFO cost flow method.

Long-term Obligations

In government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds and is recorded as an adjustment to interest expense. Bonds payable are reported net of the applicable bond premium or discount. In accordance with GASB Codification Section I30: *Interest Costs- Imputation*, bond issuance costs are expensed in the period incurred except for prepaid insurance costs.

In the governmental fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

Lease contracts that provide the District with control of a non-financial asset, such as land, buildings or equipment, for a period of time in excess of twelve months are reported as a right-to-use lease asset with a related lease liability. The lease liability is recorded at the present value of future lease payments, including fixed payments, variable payments based on an index or fixed rate and reasonably certain residual guarantees. The intangible right-to-use lease asset is recorded for the same amount as the related lease liability plus any prepayments and initial direct costs to place the asset in service. Right-to-use lease assets are amortized over the shorter of the useful life of the asset or the lease term. The lease liability is reduced for lease payments made, less the interest portion of the lease payment.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position, and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the Teacher Retirement System of Texas (TRS) plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the TRS Care plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. There are not investments as this is a pay-as you-go plan and all cash is held in a cash account.

Categories and Classifications of Net Position and Fund Balance

Net position flow assumptions – 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 and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Categories and Classifications of Net Position and Fund Balance (continued)

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

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

The provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, specifies the following classifications:

Nonspendable fund balance – Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted fund balance – Restricted fund balances are restricted when constraints placed on the use of resources are 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 fund balance – The committed fund balance classification includes amounts that can be used only for specific purposes determined by a formal action of the District's highest level of decision-making authority. The responsibility to commit funds rests with the Board of Trustees. Committed amounts cannot be used for any other purpose unless the governing board changes or lifts the constraint taking the same formal action that imposed the constraint originally. The District establishes (and modifies or rescinds) fund balance commitments by passage of a resolution.

Assigned fund balance – Amounts in assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The responsibility to assign funds rests with the Superintendent or the Assistant Superintendent for Business Services. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Categories and Classifications of Net Position and Fund Balance (Continued)

Unassigned fund balance – Unassigned fund balance of the general fund that is not constrained for any particular purpose and is the residual classification for the General Fund. General fund is the only governmental fund that can report a positive unassigned fund balance. All other funds will report positive fund balances in appropriate fund balance. In cases where a negative fund balance is reported other funds may report it in unassigned.

Minimum fund balance policy- The Board of Trustees adopted a financial policy to maintain a minimum level of unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) in the general fund. The target level is set at two months of total operating expenditures of fund balance in the general fund. This amount is intended to provide fiscal stability when economic downturns and other unexpected events occur. If fund balance falls below the minimum target level because it has been used, essentially as a "revenue" source, as dictated by current circumstances, the policy provides for actions to replenish the amount to the minimum target level. Generally, replenishment is to occur within a three-year period.

Revenues and Expenditures

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

Property taxes – Property taxes are levied by October 1 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 Februrary 1 of the year following the year in which imposed. On January 1 of each year a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

Proprietary funds operating and nonoperating revenues and expenses – Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the internal service funds are charges for providing employee benefits to employees. Operating expenses for the internal service funds include cost for claim payments and administrative costs.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Encumbrance Accounting

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditure of monies are recorded as reservations of budget, is employed as an extension of the statutory required budgetary process. An encumbrance represents a commitment of Board appropriation related to unperformed contracts for goods and services. Appropriations lapse at June 30 and encumbrances outstanding at that time are either cancelled or appropriately provided for in the subsequent year's budget. The District did not have significant encumbrances outstanding at year-end.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results could differ from those estimates.

Accounting System

In accordance with the Resource Guide, the District has adopted and installed an accounting system which meets at least the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure prescribed by TEA in the Resource Guide. Mandatory codes are recorded in the order provided in that section.

Data Control Codes

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

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, February 11, 2026, and determined there were no events that occurred that required disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and Implemented Accounting Pronouncements

In the fiscal year 2025 the District implemented the following pronouncements:

GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. Additional information about the changes to the financial statements related to the implementation of this Statement can be found in Note 2.

GASB Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. There was no impact to the District in implementing this Statement.

The Governmental Accounting Standards Board has issued statements that will become effective in future years. These Statements are as follows:

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. The requirement of this Statement are effective for fiscal years beginning after June 15, 2025 and all reporting periods thereafter.

GASB Statement No. 104, *Disclosure of Certain Capital Assets.* This Statement requires certain types of capital assets to be disclosed separately in the capital asset note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital asset note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. The requirement of this Statement are effective for fiscal years beginning after June 15, 2025 and all reporting periods thereafter.

The District is evaluating the requirements of the above statements and the impact on reporting.

NOTE 2: CHANGE IN ACCOUNTING PRINCIPLE

The District's fiscal year 2025 financial statements incorporate a change in accounting principle. GASB Statement No. 100, *Accounting Changes and Error Corrections,* requires disclosure of their nature and effect on amounts reported in the financial statements.

NOTE 2: CHANGE IN ACCOUNTING PRINCIPLE (Continued)

- In fiscal year 2025, the District implemented GASB Statement No. 101, *Compensated Absences*. The implementation of this Statement requires the restatement of the June 30, 2024 net position for the compensated absences liability as of June 30, 2024. Compensated absences liability of $7,312,856 was removed from governmental activities.

The following table summarizes the restatement to the District's beginning net position as a result of the change in accounting principle.

	Government-Wide Financial Statements	
	Governmental Activities	
6/30/2024 net position as previously reported	$	(6,746,932)
Implementation of Statement 101		7,312,856
6/30/2024 net position as restated	$	565,924

NOTE 3: DETAILED NOTES ON ALL FUNDS

Deposits and Investments

Investment Accounting Policy

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

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

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value.

The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

The Act determines the types of investments, which are allowable for the District. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, the state of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The District's policy authorizes all the State allowable investments.

The District's management believes that it has complied in all material respects with the requirements of the Act and the District's investment policies.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act, the District's investment policy, and Government Code Chapter 2257 "Collateral for Public Funds" contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments.

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

Cash Deposits

At June 30, 2025, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts) was $52,429,169, including fiduciary funds totaling $480,692 and the bank balance was $57,808,862. The District's cash deposits at June 30, 2025 and during the year ended June 30, 2025 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

a. Depository: First Community Bank
   b. The market value of securities pledged as of the date of the highest combined balance on deposit was $23,703,522.
   c. The highest combined balances of cash, savings and time deposit accounts amounted to $22,846,063 and occurred during the month of July 2024.
d. Total amount of FDIC coverage at the time of largest combined balance was $250,000.

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

The following is a reconciliation of the District's total cash and investments with the Statement of Net Position:

		June 30,2025
Deposits	$	52,429,169
Investments		5,667,594
Total of all funds cash and investments	$	58,096,763
Less: Statement of Fiduciary Net Position		
Cash and cash equivalents		(480,692)
Statement of Net Position	$	57,616,071

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. In accordance to the District's local policy, the District uses final and weighted-average maturity limits and diversification. It manages its exposure to interest rate risk by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The District's policy in using final and weighted-average-maturity limits helps reduce exposure to changes in interest rates that could adversely affect the value of investments.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the District's investment policy and the Texas Public Fund Investment Act and the actual rating as of year-end for each investment.

Temporary Investment	Credit Rating		Fair Value	Percentage
External Investment Pools:				
Texas Class	AAAm	$	3,230,446	5%
Lone Star	AAA		49,846,944	85%
Total external investment pools			53,077,390	
TD Ameritrade	See table below		5,667,594	10%
Total		$	58,744,984	100%

Amounts related to external investment pools of $53,077,390 are included in negative cash and cash equivalents ($648,221) for net deposits of $52,429,169.

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

Charles Schwab's multiple investments with various credit ratings at June 30, 2025 are provided below:

SP Rating	Fair Value	Percentage
AA+	$ 5,667,594	100.00%
Total	$ 5,667,594	

The weighted average maturity of the District's investments held with Charles Schwab at June 30, 2025 are shown below:

Charles Schwab Investment	Weighted Average Maturity Years	Weighted Average Maturity Days
Treasury Notes	0.45	165
Money Market mututal funds	0.12	42

Concentration of Credit Risk

The Investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the Public Funds Investment Act ("PFIA"). There were no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total District investments.

Fair Value

GASB Codification Section 3100: *Fair Value Measurements* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under the codification are described as follows:

Level 1 (L1): Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the District has the ability to access.

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

Level 2 (L2): Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 (L3): Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Public Funds Investment Pools

As noted in the District's Summary of Significant Accounting Policies, the District reports its local government investment pools at amortized cost as permitted by GASB Cod. Sec. In5.102*, Investment Pools (External) – Pool Accounting and Reporting and* GASB Cod. Sec. In5.104*, Investment Pools (External) – Pools That Measure Investments at Amortized Cost – Additional Requirements*. In addition, the pools do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. The pools do not impose any liquidity fees or redemption gates.

The First Public (Lone Star Investment Pool or Lone Star) is a public funds investment pool operated under Section 2256.016 of the Public Funds Investment Act, Texas Government Code, as amended (the "Act"). Lone Star is governed by trustees comprised of active participants in Lone Star. The Board of Trustees for Lone Star has the responsibility for adopting and monitoring compliance with the investment policy, of appointing investment officers, of overseeing the selection of an investment advisor, custodian, investment consultant, administrator and other service providers. Each Lone Star fund has earned Standard & Poor's highest rating (AAA), which meets the standards set by the Public Funds Investment Act.

MBIA, Inc.'s Texas CLASS pool is rated AAAm by Fitch. Texas CLASS participants' investments in the pool are evidenced by shares of the pool. The public entity's investment is with the pool, not the securities that make up the pool.

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

The following table sets forth by level, within the fair value hierarchy, the District's assets at fair value as of June 30, 2025:

	Fair Value	Maturity Less than 1	Level
Investments by fair value level			
General fund			
Money market mutual funds	$ 10,603	$ 10,603	L1
Fixed income treasury notes	5,656,991	5,656,991	L1
Total general fund	5,667,594	5,667,594	
Total investments measured by fair value level	$ 5,667,594	$ 5,667,594	

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2025.

Fixed Income –U.S Treasury Bills: The fair values of U.S. treasury bills are based on quoted market prices in active markets, and are included in the Level 1 fair value hierarchy. We believe the market for U.S treasury bills is an actively traded market given the high level of daily trading volume.

Property tax

Property taxes are levied by October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period and those expected to be collected during a 60 day period after the close of the school fiscal year.

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

Property tax (continued)

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. The District's 2024 tax rate was $0.73690 for maintenance and $0.291895 for debt service per $100 assessed valuation. The 2024 assessed valuation was $1,630,100,386. Allowances for uncollectibles within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. At June 30, 2025 outstanding taxes in the general fund and debt service fund was $2,165,374 and $667,912 with a corresponding allowance for doubtful accounts of $216,537 and $66,791.

Disaggregation of Receivables and Payables

Receivables at June 30, 2025, were as follows:

	Property Taxes, Net	Other Governments	Due from Other Funds	Other Receivables	Total Receivables
Governmental funds:					
General Fund	$ 1,948,837	$ 15,750,828	$ 17,178,999	$ 163,589	$ 35,042,253
Nonmajor Governmental Funds	601,121	4,031,322	313,363	563	4,946,369
Total Governmental Funds	$ 2,549,958	$ 19,782,150	$ 17,492,362	$ 164,152	$ 39,988,622

Payables at June 30, 2025, were as follows:

	Accounts Payable	Salaries and Benefits	Other Funds	Due to Other Governments	Total Payables
Governmental funds:					
General Fund	$ 179,736	$ 5,501,189	$ 11,017,478	$ 50,000	$ 16,748,403
Capital Project Fund	859,700	-	-	-	859,700
Nonmajor Governmental Funds	-	1,028,423	5,179,969	966,594	7,174,986
Total Governmental Funds	$ 1,039,436	$ 6,529,612	$ 16,197,447	$ 1,016,594	$ 24,783,089

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

Due From and To Other Governments and Agencies

Amounts due to and from other governments and agencies at June 30, 2025 are as follows:

	Due From	Due To
Governmental Funds:		
General Fund:		
Texas Education Agency:		
Foundation revenues	$ 14,233,156	$ -
National School Breakfast and Lunch Program	1,065,941	-
SHARS	451,731	-
Other	-	50,000
Total General Fund	15,750,828	50,000
Other Governmental Funds:		
ESEA, Title I, Part A - Improving Basic Programs	1,568,497	-
ESEA, Title I, Part C - Migratory Children	190,613	-
ESSA Title IX, Part A Homeless Children Education	5,381	-
IDEA-B Formula	571,553	-
IDEA-B Preschool	4,695	246
ESEA, Title II, Part A, TPTR	84,021	-
ESEA, Title III, Part A, - English Language Acquisition	23,528	-
Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP)	154,478	-
Title IV, Part A - Student Support and Academic Enrichment	187,911	-
21st Century Community Learning Centers Cycle 12 Year 1	360,093	
21st Century Community Learning Centers Cycel 11 Year 3	348,457	-
Safety and Facilities Enhancement (SAFE)	51,216	879,240
Career and Technical - Basic Grant	4,276	-
COVID 19 - ARP Education for Homeless Children	-	2,498
State Instructional Materials Fund	6,856	-
Jet Grant	72,627	-
Instructional Facilities Allotment	397,120	84,610
Total Other Governmental Funds	4,031,322	966,594
Total Governmental Funds	$ 19,782,150	$ 1,016,594

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets

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

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities					
Capital assets, not being depreciated					
Land	$ 9,459,231	$ 34,043	$ -	$ -	$ 9,493,274
Construction-in-progress	21,397,739	3,389,811	(15,727,131)	(8,990,888)	69,531
Total capital assets not being depreciated	30,856,970	3,423,854	(15,727,131)	(8,990,888)	9,562,805
Capital assets, being depreciated					
Building and improvements	198,528,323	729,114	-	8,990,888	208,248,325
Furniture and equipment	18,151,472	242,158	-	-	18,393,630
Vehicles	10,655,701	331,274	(181,942)	-	10,805,033
Equipment under financing agreements	2,920,412	-	-	-	2,920,412
Total capital assets, being depreciated	230,255,908	1,302,546	(181,942)	8,990,888	240,367,400
Less accumulated depreciation for					
Building and improvements	(148,160,944)	(6,719,781)	-	-	(154,880,725)
Furniture and equipment	(14,053,617)	(563,580)	-	-	(14,617,197)
Vehicles	(8,593,157)	(447,074)	180,213	-	(8,860,018)
Total accumulated depreciation	(170,807,718)	(7,730,435)	180,213	-	(178,357,940)
Total capital assets being depreciated, net	59,448,190	(6,427,889)	(1,729)	8,990,888	62,009,460
Right to use lease assets, being amortized					
Equipment	1,581,440	-	-	-	1,581,440
Right to use lease assets, being amortized	1,581,440	-	-	-	1,581,440
Less accumulated amortization for					
Equipment	(829,545)	(347,730)	-	-	(1,177,275)
Total accumulated amortization	(829,545)	(347,730)	-	-	(1,177,275)
Right to use lease assets being amortized, net	751,895	(347,730)	-	-	404,165
Right to use SBITA assets, being amortized					
SBITAs	2,004,697	2,474,056	-	-	4,478,753
Right to use SBITAs, being amortized	2,004,697	2,474,056	-	-	4,478,753
Less accumulated amortization for					
SBITAs	(1,702,025)	(579,385)	-	-	(2,281,410)
Total accumulated amortization	(1,702,025)	(579,385)	-	-	(2,281,410)
Right to use SBITAs being amortized, net	302,672	1,894,671	-	-	2,197,343
Governmental activities capital assets, net	$ 91,359,727	$ (1,457,094)	$ (15,728,860)	$ -	$ 74,173,773

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets (continued)

Depreciation and amortization was charged to the following functions:

For the year ended June 30, 2025	
Governmental Activities	
11- Instruction	$ 4,577,182
12- Instructional Resources and Media Services	118,817
13- Curriculum and Staff Development	119,019
21- Instructional Leadership	258,396
23- School Leadership	355,728
31- Guidance, Counseling and Evaluation Services	263,744
32- Social Work Services	37,038
33- Health Services	83,935
34- Student Transportation	249,358
35- Food Services	642,371
36- Cocurricular/Extracurricular Activities	254,939
41- General Administration	287,867
51- Plant Maintenance and Operations	935,446
52- Security and Monitoring Services	267,779
53- Data Processing Services	148,390
61- Community Services	57,541
Total depreciation expense- governmental activities	$ 8,657,550

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Obligations

Long-term obligations include bonds payable, financing agreements, and premiums related to long-term bonds payable. Changes in long-term obligations for the year ended June 30, 2025 are as follows:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Unlimited Tax School Refunding Bonds - Series 2014	$ 1,750,000	$ -	$ 1,750,000	$ -	$ -
Unlimited Tax School Refunding Bonds - Series 2016	22,360,000	-	1,185,000	21,175,000	1,245,000
Unlimited Tax School Building Bonds - Series 2019	27,200,000	-	80,000	27,120,000	605,000
Unlimited Tax School Building Bonds - Series 2020	8,070,000	-	100,000	7,970,000	275,000
Unlimited Tax School Building Bonds - Series 2021B	18,180,000	-	1,600,000	16,580,000	1,635,000
Lease Revenue Bonds 2006	675,000	-	330,000	345,000	345,000
Total general obligation bonds	78,235,000	-	5,045,000	73,190,000	4,105,000
Financing agreements					
Frost Bank	1,216,893	-	226,792	990,101	234,798
Total financing agreements	1,216,893	-	226,792	990,101	234,798
Premium on Bonds	4,777,346	-	403,178	4,374,168	-
	4,777,346	-	403,178	4,374,168	-
Total governmental activities	$ 84,229,239	$ -	$ 5,674,970	$ 78,554,269	$ 4,339,798

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Obligations (Continued)

Bonds payable at June 30, 2025 are comprised of the following individual issues:

The San Benito Consolidated Independent School District Public Facilities Corporation ("PFC") issued $4,500,000 in non-callable lease revenue bonds (the "bonds") with interest rates ranging from 4.01% to 4.68%. The bonds mature annually on February 15th through the years 2007 through 2026 in installments. Interest payments are due semi-annually on August 15th and February 15th. The proceeds of the bonds were used for construction of a multi-purpose stadium.	$ 345,000
General Obligation Bonds:	
The District issued $30,580,000 in Unlimited Tax Refunding Bonds, Series 2016 with interest rates ranging from 2% to 5%. The bonds mature annually on August 15th through the years through 2038. The bonds were used to refund the 2008 School Building Bonds	21,175,000
The District issued $27,840,000 in Unlimited Tax School Building Bonds, Series 2019 with interest rates ranging from 2% to 5%. The bonds mature annually on August 15th through the years through 2049.	27,120,000
The District issued $8,470,000 in Unlimited Tax School Building Bonds, Series 2020 with interest rates ranging from 3% to 5%. The bonds mature annually on August 15th through the years through 2045.	7,970,000
The District issued $18,785,000 in Unlimited Tax Refunding Bonds, Series 2021B with interest rates ranging from 2% to 3%. The bonds mature annually on August 15th through the years through 2034. The bonds were used to refund a portion of the 2012 School Building and Refunding Bonds.	16,580,000
Total obligation bonds	73,190,000
Financing Agreements:	
On March 37, 2019, the District entered into a 10-year financing agreement in the amount of $2,240,000, with interest at 3.53%. Annual installments of $269,748 will be made with principal and interest amounts fluctuating through 2029.	990,101
Total general obligation bonds and financing agreements	$74,180,101

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

Long-Term Obligations (Continued)

Debt service requirements on long-term debt at June 30, 2025 are as follows:

Year Ending	General Obligation Bonds		Lease Revenue Bonds		Financing Agreements		Total Requirements	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2026	$ 3,760,000	$ 2,855,172	$ 345,000	$ 4,230	$ 234,798	$ 34,951	$ 4,339,798	$ 2,894,353
2027	3,915,000	2,699,872	-	-	243,086	26,662	4,158,086	2,726,534
2028	4,065,000	2,550,922			512,217	27,279	4,577,217	2,578,201
2029	4,225,000	2,395,922					4,225,000	2,395,922
2030	4,400,000	2,234,622					4,400,000	2,234,622
2031-2035	22,460,000	8,567,648					22,460,000	8,567,648
2036-2040	13,580,000	4,909,750					13,580,000	4,909,750
2041-2045	9,555,000	2,623,000					9,555,000	2,623,000
2046-2050	6,885,000	702,200					6,885,000	702,200
2051-2055								
Total	$ 72,845,000	$ 29,539,108	$ 345,000	$ 4,230	$ 990,101	$ 88,892	$ 74,180,101	$ 29,632,230

Other Long-Term Liabilities

Leases

This City has entered into agreements to lease certain equipment. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

The San Benito Consolidated Independent School District has a total of 12 active leases. The agreements are for copier machines and a postage meter and payments range from $2,400 to $119,359. The lease liabilities are measured at a discount rate of 0.4113% to 2.8220% which is the District's incremental borrowing rate.

As a result of the leases, the District has a recorded a right to use asset with a value of $1,581,440 and accumulated amortization of $1,177,275 on June 30, 2025.

Changes in the lease liability for the year ended June 30, 2025 are as follows:

Governmental Activities	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Lease liabilities	$ 757,837	$ -	$ (348,038)	$ 409,799	$ 250,615

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

Other Long-Term Liabilities (continued)

Leases (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2025 were as follows:

Year Ending June 30,	Principal	Interest	Total
2026	$ 250,615	$ 7,199	$ 257,814
2027	124,476	2,066	126,542
2028	34,708	230	34,938
Total Requirements	$ 409,799	$ 9,495	$ 419,294

Subscription Based IT Arrangements (SBITA)

The District has entered into agreements to lease certain subscriptions. The subscription arrangements qualify as other than short-term leases under GASB 96 and, therefore, have been recorded at the present value of the future minimum subscription payments as of the date of their inception.

The San Benito Independent School District has a total of 19 active subscriptions. The subscriptions are for have payments that range from $2,600 to $1,056,928. The SBITA liabilities are measured at a discount rate of 1.894% to 3.177%, which is the District's incremental borrowing rate. As a result of the SBITAs, the District has a recorded a right to use SBITA asset with a value of $4,478,753 and accumulated amortization of $2,281,410 on June 30, 2025.

Changes in the SBITA liability for the year ended June 30, 2025 are as follows:

Governmental Activities	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
SBITA Liability	$ 54,465	$ 2,474,056	$ (1,639,802)	$ 888,719	$ 810,849

The future minimum lease obligations and the net present value of these minimum SBITA payments as of June 30, 2025, were as follows:

Year Ending June 30,	Principal	Interest	Total
2026	$ 810,849	$ 25,898	$ 836,747
2027	77,870	1,914	79,784
Total Requirements	$ 888,719	$ 27,812	$ 916,531

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

Compensated absences

In addition to the long-term debt obligations in Note 3, Note 4 Defined Benefit Pension Plan, and Note 5 Defined Other Post-Employment Benefit Plans, the District has the following change in other long-term liabilities for the period ended June 30, 2025 as follows:

Governmental Activities	Beginning Balance*	Net Change	Ending Balance	Due Within One Year
Compensated absences	$ 295,740	$ 226,026	$ 521,766	$ 454,163

*Beginning balance was restated in the current fiscal year. See Note 2.

San Benito Consolidated Independent School District Public Facility Corporation

The Public Facility Corporation is a public non-profit corporation, the creation of which was sponsored by the District pursuant to the Public Facility Corporation Act, Article 717s, Vernon's Texas Civil Statutes, as amended (the "Public Facility Corporation Act"). The Public Facility Corporation Act authorizes the creation and utilization by school districts of public facility corporations to issue bonds to provide for the acquisition, construction, rehabilitation, renovation, repair, equipping, furnishing and placing in service of public facilities of its governmental sponsor and further authorizes the governmental sponsor to incur lease purchase obligations in favor of the corporation to serve as security for the bonds issued by the Public Facility Corporation.

Lease revenue bonds in the principal amount of $4,500,000 were issued on February 13, 2006, pursuant to a resolution by the Board of Directors of the Public Facility Corporation and a Master Trust Indenture dated as of February 1, 2007, (the "Trust Indenture") between the Public Facility Corporation and Compass Bank, as trustee to finance, for the benefit of the District, the construction of a new multipurpose stadium.

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

Revenues from Local and Intermediate Sources

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

	General Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds	Internal Service Funds	Total
Property taxes	$ 11,172,974	$ -	$ 4,380,361	$ 15,553,335	$ -	$ 15,553,335
Food sales	326,903	-	-	326,903	-	326,903
Investment income	1,623,033	1,161,757	143,332	2,928,122	9,680	2,937,802
Penalties and interest	204,248	-	223,196	427,444	-	427,444
Co-curricular student activities	198,325	-	-	198,325	-	198,325
Insurance	39,492	-	-	39,492	9,535,682	9,575,174
Other	480,070	-	191,135	671,205	1,877	673,082
Total	$ 14,045,045	$ 1,161,757	$ 4,938,024	$ 20,144,826	$ 9,547,239	$ 29,692,065

Deferred Outflows and Inflows of Resources

Governmental funds report deferred inflows in connection with receivables for revenues that are 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.

	Statement of Net Position	Balance Sheet - Governmental Funds	
	Governmental Activities	General Fund	Other Governmental Funds
Deferred outflows of resources:			
Deferred outflows from TRS Pension	$ 7,342,567	$ -	$ -
Deferred outflows from TRS OPEB	10,057,186	-	-
Deferred charge on refunding	1,451,245	-	-
Total deferred outflows of resources	$18,850,998	$ -	$ -
Deferred inflows of resources:			
Deferred inflows from TRS Pension	$ 2,789,561	$ -	$ -
Deferred inflows from TRS OPEB	25,365,347	-	-
Unavailable property taxes	-	1,948,837	601,120
Unavailable other	-	451,730	-
Total deferred inflows of resources	$ 28,154,908	$ 2,400,567	$ 601,120

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

Unearned Revenue

Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. As of June 30, 2025, the components of unearned revenue reported in the governmental funds were as follows:

	Amounts
Athletic fund	$ 76,265
State and private grants	38,150
Total	$ 114,415

Unearned revenues for state and private grants represent revenues received in excess of expenditures incurred for those programs for which the project period has not yet ended.

Interfund Receivables, Payables, and Transfers

Interfund receivable and payable balances at June 30, 2025 were:

	Due to Fund			
Due from Fund:	General Fund	Nonmajor	Internal Service Fund	Total
General Fund	$ 6,893,177	$ 313,363	$ 3,810,938	$ 11,017,478
Non-Major Funds	5,179,969	-	-	5,179,969
Internal Service Fund	5,098,307	-	-	5,098,307
Fiduciary Funds	7,546	-	-	7,546
Total	$ 17,178,999	$ 313,363	$ 3,810,938	$ 21,303,300

The remaining balances resulted from a routine lag between the dates that transactions such as year-end payroll accruals and worker's compensation adjustment payments are made between the funds. All amounts are scheduled to be repaid within one year.

General Fund Federal Revenue Sources

Federally financed programs are generally accounted for in the Other Governmental Funds of the District, except for indirect costs charged to federal programs which are accounted for in the General Fund as prescribed by the TEA and certain direct revenues.

NOTE 3: DETAILED NOTES ON ALL FUNDS (Continued)

The District recognized in the General fund such revenues for the year ended June 30, 2025, from various federal sources as follows:

Programs or Source	Assistance Listing Number	Amount
J.R.O.T.C	12.U01	$ 82,860
SHARS/Medicaid	N/A	69,114
School Breakfast Program	10.553	2,331,513
National School Lunch Program	10.555	6,032,806
Fresh Fruits and Vegetables Program	10.582	118,238
Child and Adult Care Food Program	10.558	1,056,965
Indirect Costs		
Year ended June 30, 2025 Programs		
National School Lunch Program	10.555	419,890
Title I, Part A - Improving Basic Programs	84.010	120,693
Title I, Part C - Migrant	84.011	12,595
Career and Technical - Basic Grant	84.048	3,951
Title II, Part A - Teacher/Principal Training	84.367	12,137
Title III, Part A - English Language Acquisition	84.365	4,354
Twenty-First Century Community Learning Centers	84.287	58,599
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	4,938
COVID-19 ARP Homeless Grant II	84.425W	2,730
COVID-19 ARP ESSER III	84.425U	3,992
Title IV, Part A, Subpart 1	84.424	16,535
Total general fund federal revenue		$ 10,351,910

NOTE 4: 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) and is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

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

NOTE 4: DEFINED BENEFIT PENSION PLAN (Continued)

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, PO BOX 149676, Austin, TX, 78714-0185, or by calling 1-800-223-8778.

Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3% (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 an ad hoc cost-of-living-adjustment (COLA).

One-Time Stipends

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

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

Cost-of-Living Adjustment

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

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

NOTE 4: DEFINED BENEFIT PENSION PLAN (Continued)

Benefits Provided (continued)

- 6% COLA for eligible retirees who retired on or before August 31, 2001. Texas Government Code section 821.006 prohibits benefit improvements, if, as a result of the particular action, the time required to amortize TRS unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. Actuarial implications of the funding provided in this manner are determined by the System's actuary.

Contributions

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

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

Contribution Rates

	2024	2025
Member	8.25%	8.25%
Non-employer contributing entity (State) (NECE)	8.25%	8.25%
Employers	8.25%	8.25%

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

Current fiscal year employer contributions	$ 3,045,020
Current fiscal year member contributions	$ 6,500,780
2024 measurement year NECE on-half contributions	$ 4,384,972

NOTE 4: DEFINED BENEFIT PENSION PLAN (Continued)

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers.

Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.

- During a new member's first 90 days of employment.

- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.

- When the employing district is a public school or charter school, 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 an amount equal to the member contribution and the state contribution as an employee after retirement surcharge.

NOTE 4: DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions

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

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

The actuarial methods and assumptions used in the determination of the total pension liability are the same assumption used in the actuarial valuation as of August 31, 2023. For a full description of these assumptions please see the TRS actuarial valuation report dated November 12, 2023.

Discount Rate

The single discount rate used to measure the total pension liability was 7.00%. The single discount rate was based on the expected rate of return on pension plan investments of 7.00%. The projection of cash flows used to determine the 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 these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected 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.

NOTE 4: DEFINED BENEFIT PENSION PLAN (Continued)

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

Asset Class	Target Allocation[2]	Long-Term Expected Arithmetic Real Rate Returns[3]	Expected Contribution To Long-Term Portfolio Returns
Global Equity			
USA	18.00%	4.40%	1.00%
Non - U. S. Developed	13.00%	4.20%	0.90%
Emerging Markets	9.00%	5.20%	0.70%
Private Equity [1]	14.00%	6.70%	1.20%
Stable Value			
Government Bonds	16.00%	1.90%	0.40%
Absolute Return	5.00%	3.00%	0.20%
Stable Value Hedge	0.00%	4.00%	0.00%
Real Return			
Real Estate	15.00%	6.60%	1.20%
Energy, Natural Resources & Infrastructure	6.00%	5.60%	0.40%
Commodities	0.00%	2.50%	0.00%
Risk Parity			
Risk Parity	8.00%	4.00%	0.40%
Leverage			
Cash	2.00%	1.00%	0.00%
Asset Allocattion Leverage	-6.00%	1.30%	-0.10%
Inflation Expectation			2.40%
Volatility Drag[4]			-0.70%
Expected Return	100%		7.90%

[1]Absolute Return includes Credit Sensitive Investments.

[2]Target allocations are based on the FY2024 policy model.

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

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

NOTE 4: DEFINED BENEFIT PENSION PLAN (Continued)

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability of the plan using if the discount rate of 7.00% and what the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate.

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
Proportionate share of the net pension liability	$55,637,078	$34,832,969	$17,595,286

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 $34,832,969 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	$34,832,969
State's proportionate share that is associated with the District	47,530,713
Total	$82,363,682

The net pension liability was measured as of August 31, 2024 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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 0.0570245385%, which was a decrease of 0.0017736563% from its proportion measured as of August 31, 2023.

Changes Since the Prior Actuarial Valuation

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

The 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.

NOTE 4: DEFINED BENEFIT PENSION PLAN (Continued)

Changes Since the Prior Actuarial Valuation (continued)

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 $9,703,592 and revenue of $5,680,715 for support provided by the State.

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

	Outflows of Resources	Inflows of Resources
Differences between expected and actual actuarial experience	$ 1,919,946	$ 271,959
Changes in actuarial assumptions	1,798,501	241,117
Differences between projected and actual investment earnings	211,738	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	797,201	2,276,485
Total as of August 31, 2024 measurement date	4,727,386	2,789,561
Contributions paid to TRS subsequent to the measurement date	2,615,181	-
Total as of fiscal year end	$ 7,342,567	$ 2,789,561

The $2,615,181 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal year ended June 30,	Pension Expense Amount
2026	$ (291,619)
2027	3,484,719
2028	(1,243)
2029	(1,265,623)
2030	11,590
Thereafter	1
Total	$ 1,937,825

Changes in the net pension liability for the year ended June 30, 2025 are as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Net Pension Liability	$ 40,388,686	$ -	$ 5,555,717	$ 34,832,969

The net pension liability will be liquidated in future periods by the General Fund.

NOTE 5: 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 that has a special funding situation.

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 reasonable necessary to administer the program, including maintaining benefit and financing standards.

OPEB Plan Fiduciary Net Position. Detail information about 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 schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

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

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

	TRS-Care Monthly Premium Rates	
	Medicare	Non-Medicare
Retiree or surviving spouse	$ 135	$ 200
Retiree and spouse	$ 529	$ 689
Retiree or surviving spouse and children	$ 468	$ 408
Retiree and family	$ 1,020	$ 999

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 school districts based upon public school district payroll. The TRS Board of Trustees does not have the authority to set or amend contribution rates.

NOTE 5: DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

Texas Insurance Code, Section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer 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.

	Contribution Rates	
	2024	2025
Member	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding Remitted by Employers	1.25%	1.25%

Current fiscal year employer contributions	$ 713,027
Current fiscal year member contributions	$ 512,187
2024 measurement year NECE on-behalf contributions	$ 916,340

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

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

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

NOTE 5: DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

Actuarial Assumptions (continued)

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%
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.
Salary Increases	2.95%-8.95%, including inflation
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. *The Discount Rate can be found in the 2024 TRS ACFR on page 79.* 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% less than and 1% greater than the discount rate that was used (3.87%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.87%)	Discount Rate (3.87%)	1% Increase in Discount Rate (4.87%)
District's proportionate share of the net OPEB liability	$29,031,698	$24,436,495	$20,723,502

NOTE 5: DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

Healthcare Cost Trend Rates Sensitivity Analysis – The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the healthcare cost trend rate.

	1% Decrease in Healthcare Trend Rate	Current Healthcare Cost Trend Rate	1% Increase in Healthcare Trend Rate
District's proportionate share of net OPEB liability	$19,899,897	$24,436,495	$30,348,134

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 $24,436,495 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	$ 24,436,495
State's proportionate share that is associated with the District	30,618,597
Total	$ 55,055,092

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

At August 31, 2024 the employer's proportion of the collective Net OPEB Liability was 0.0805115694%, which was a decrease of 0.0041963722% from its proportion measured as of August 31, 2023.

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

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

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

NOTE 5: DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

For the year ended June 30, 2025, the District recognized OPEB expense/(benefit) of ($7,361,932) and revenue of ($3,979,852) 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 other post-employment benefits from the following sources:

	Outflows of Resources	Inflows of Resources
Differences between expected and actual economic experience	$ 4,683,656	$ 12,195,136
Changes in actuarial assumptions	3,127,583	7,973,346
Difference between projected and actual investment earnings	-	68,430
Changes in proportion and difference between the employer's	-	-
contributions and the proportionate share of contributions	1,639,890	5,128,435
Total as of August 31, 2022 measurement date	9,451,129	25,365,347
Contributions paid to TRS subsequent to the measurement date	606,057	-
Total	$ 10,057,186	$ 25,365,347

Contributions of $606,057 paid to TRS subsequent to the measurement date are classified as deferred outflows of resources and will reduce OPEB liability in the next fiscal year. The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years Ended June 30:	OPEB Expense/(Benefit) Amount
2026	$ (3,901,727)
2027	(2,794,970)
2028	(3,393,984)
2029	(2,894,304)
2030	(1,632,320)
Thereafter	(1,296,913)
Total OPEB Expense (Benefit)	$ (15,914,218)

Changes in the net OPEB liability for the year ended June 30, 2025 are as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Net OPEB Liability	$ 18,752,903	$ 5,683,592	$ -	$ 24,436,495

NOTE 5: DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care received retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended June 30, 2025, 2024 and 2023 the subsidy payments received by TRS-Care on behalf of the District are as follows:

Fiscal Year	Medicare Part D
2025	$ 558,559
2024	$ 409,588
2023	$ 408,484

Contributions made by the State on behalf of the District have been recorded in the government-wide financial statements and in the fund financial statements of the General Fund as both state revenues and payroll expenditures.

NOTE 6: RISK MANAGEMENT

Property Insurance

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2025, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance for each of the past three fiscal years.

Self-funded Health Insurance

State law allows school districts to retain risk through its own risk management program, sure though a commercial carrier, or insure through a public entity risk pool. The District is self-insured for employee medical benefits. The District contracts with a third-party to provide administrative claims processing services for employee medical benefits for the District.

The group health insurance program is reported in the Insurance fund, an internal service fund. Interfund premiums are paid into the internal service and are based primarily on claims experience and are reported as quasi-external transactions.

Accruals for claims are adjusted on a regular basis based on the latest information available on each case. Claims incurred but not reported have been considered in determining the accrual for claims, and the District’s management believes adequate accruals have been provided as June 30, 2025.

The District maintains a $150,000 stop-loss policy for the health self-funded insurance program.

NOTE 6: RISK MANAGEMENT (Continued)

Claims Liabilities

Accruals for claims are adjusted on a regular basis based on the latest information available on each case. A liability for claims is reported if it is probable that a liability has occurred and the amount is estimable. As of June 30, 2025, the District reported a liability of $555,233 in the self-insurance fund as incurred but not reported claims (IBNR).

Changes in the estimated accrued claims payable in fiscal years 2025 were as follows:

IBNR	2025
Balance, beginning of year	$ 612,831
Claims incurred	12,113,851
Claims payments	(12,173,449)
Balance, end of year	$ 553,233

NOTE 7: COMMITMENTS AND CONTINGENCIES

During the ordinary course of its operation, the District is party to various claims and legal actions and is currently party to a TEA complaint filed against the District. While the ultimate effect of such litigation, claims, and complaint cannot be ascertained at this time, in the opinion of counsel for the District, the liabilities which may arise from such actions would not result in losses which would exceed the liability insurance limits in effect at the time the claim arose or otherwise materially affect the financial condition of the District or results of activities. Accordingly, no provision for losses has been recorded in the accompanying financial statements for such contingencies.

The District participates in numerous state and federal 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, if any, refunds of any money received may be required and the collectability of any related receivable at June 30, 2025 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.

NOTE 8: COMPLIANCE AND ACCOUNTABILITY

a. Finance-Related Legal and Contractual Provision

In accordance with GASB Cod. Sec. 2300.106.h, Notes to Financial Statements - violations of finance related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

Violations	Action Taken
None noted	None necessary

b. Deficit Fund Balance or Fund Net Position of Individual Funds

The District reported a deficit fund balance of $(269,746) in the Lease Escrow LED fund in the current year. The District also has a negative total net position of $(2,437,639) and negative unrestricted net position of $(36,649,753) in Governmental Activities. The result of this negative balance is due to the effect of the District's proportionate share of the pension and OPEB liabilities required by GASB Codification Section P20 and GASB Codification P50.

NOTE 9: FUND BALANCES AND NET POSITION

Assigned – the School Board has authorized the superintendent by board resolution to assign funds for specifically identified purposes.

Unassigned – the unassigned fund balance has no constraints.

NOTE 9: FUND BALANCES AND NET POSITION (Continued)

	General Funds	Capital Projects Funds	Other Governmental Funds Other Funds	Total Governmental Funds
Fund Balance				
Nonspendable fund balance:				
Inventories	$ 757,912	$ 132,241	$ -	$ 890,153
Prepaid items	1,680,339	-	-	1,680,339
Restricted fund balance:				
Federal or State funds grant restriction	7,011,357	-	465,035	7,476,392
Capital acquisition and contractual	-	29,248,672	-	29,248,672
Retirement of long-term debt	-	-	1,350,918	1,350,918
Other Committed Fund Balance:			201,298	201,298
Unassigned fund balance	31,326,325	-	(269,542)	31,056,783
Total fund balances	$ 40,775,933	$ 29,380,913	$ 1,747,709	$ 71,904,555

	Governmental Activities
Net Position	
Net investment in capital assets:	
Capital assets, net of accumulated depreciation	$ 71,572,265
Right-to-use assets, net of accumulated amortization	404,165
Right-to-use SBITA assets, net of accumulated amortization	2,197,343
Less related liabilities	(75,478,619)
Plus unexpended bond proceeds	30,108,321
Less unamortized charges	(4,374,168)
Plus gain/loss on refunding	1,451,245
Less construction retainages and accounts payable for construction costs	(900,508)
Total net investment in capital assets	24,980,044
Restricted net position consists of the following:	
Federal and state programs	7,476,392
Debt Service	1,350,918
Total restricted net position	8,827,310
Unrestricted (deficit) net position	(36,244,993)
Total net position (deficit)	$ (2,437,639)

NOTE 10: SPECIAL ITEMS

During the fiscal year, the District received $13,300,000 in settlement proceeds related to construction projects that became subject to litigation and were previously reported as construction in progress. The settlement proceeds were netted against the removal of construction in progress totaling $15,680,631. The resulting net loss of $2,380,631 was reported as a special item in the Statement of Activities.

NOTE 11: SUBSEQUENT EVENTS

Management evaluated all events or transactions that occurred after June 30, 2025 through February 11, 2026, the date the current year's financial statements were available to be issued. There were no subsequent events that require full disclosure.

APPENDIX C

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 June 30, 2025, as filed with the MSRB in accordance with the PSF undertaking and agreement made in accordance with Rule 15c2-12 ("Rule 15c2-12") of the United States Securities and Exchange Commission (the "SEC"), as described below, is hereby incorporated by reference into this disclosure. Information included herein for the year ended June 30, 2025, is derived from the audited financial statements of the PSF, which are included in the Annual Report as it is filed and posted. Reference is made to the Annual Report for the complete Message and MD&A for the year ended June 30, 2025, and for a description of the financial results of the PSF for the year ended June 30, 2025, the most recent year for which audited financial information regarding the Fund is available. The 2024 Annual Report speaks only as of its date and the PSF Corporation has not obligated itself to update the 2024 Annual Report or any other Annual Report. The PSF Corporation posts (i) each Annual Report, which includes statistical data regarding the Fund as of the close of each fiscal year, (ii) the most recent disclosure for the Guarantee Program, (iii) the PSF Corporation's Investment Policy Statement (the "IPS"), and (iv) monthly updates with respect to the capacity of the Guarantee Program (collectively, the "Web Site Materials") on the PSF Corporation's web site at https://texaspsf.org and with the MSRB at www.emma.msrb.org. Such monthly updates regarding the Guarantee Program are also incorporated herein and made a part hereof for all purposes. In addition to the Web Site Materials, the Fund is required to make quarterly filings with the SEC under Section 13(f) of the Securities Exchange Act of 1934. Such filings, which consist of a list of the Fund's holdings of securities specified in Section 13(f), including exchange-traded (*e.g.*, NYSE) or NASDAQ-quoted stocks, equity options and warrants, shares of closed-end investment companies and certain convertible debt securities, are available from the SEC at www.sec.gov/edgar. A list of the Fund's equity and fixed income holdings as of August 31 of each year is posted to the PSF Corporation's web site and filed with the MSRB. Such list excludes holdings in the Fund's securities lending program. Such list, as filed, is incorporated herein and made a part hereof for all purposes.

Management and Administration of the Fund

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

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

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

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

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

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

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

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

The Total Return Constitutional Amendment

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

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

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

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

Annual Distributions to the Available School 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	432	440	430

[1] In millions of dollars. Source: Annual Report for year ended June 30, 2025.
[2] Reflects the first fiscal year in which distributions were made by the PSF Corporation.
[3] In September 2020, the SBOE approved a special, one-time transfer of $300 million from the portion of the PSF managed by the SBOE to the portion of the PSF managed by the SLB, which amount is to be transferred to the ASF by the SLB in fiscal year 2021. In approving the special transfer, the SBOE determined that the transfer was in the best interest of the PSF due to the historic nature of the public health and economic circumstances resulting from the COVID-19 pandemic and its impact on the school children of Texas.

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

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

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

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

PSF Corporation Strategic Asset Allocation

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

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

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

Asset Class	Strategic Asset Allocation	Range	
		Min	Max
Cash	2.0%	0.0%	n/a
Core Bonds	10.0%	5.0%	15.0%
High Yield	2.0%	0.0%	7.0%
Bank Loans	4.0%	0.0%	9.0%

Treasury Inflation Protected Securities	2.0%	0.0%	7.0%
Large Cap Equity	14.0%	9.0%	19.0%
Small/Mid-Cap Equity	6.0%	1.0%	11.0%
Non-US Developed Equity	7.0%	2.0%	12.0%
Absolute Return	3.0%	0.0%	8.0%
Real Estate	12.0%	7.0%	17.0%
Private Equity	20.0%	10.0%	30.0%
Private Credit	8.0%	3.0%	13.0%
Natural Resources	5.0%	0.0%	10.0%
Infrastructure	5.0%	0.0%	10.0%

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

Comparative Investment Schedule – PSF(CORP)

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

	As of 8-31-24		
Investment Type			
Investments in Real Assets			
Sovereign Lands	$ 277.47		
Discretionary Internal Investments	457.01		
Other Lands	153.15		
Minerals (2), (3)		4,540.61	(6)
Total Investments(4)		5,428.23	
Cash in State Treasury (5)		0	
Total Investments & Cash in State Treasury	$ 5,428.23		

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

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

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

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

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

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

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

Capacity Limits for the Guarantee Program

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

Prior to 2007, various legislation was enacted modifying the calculation of the State Capacity limit; however, in 2007, Senate Bill 389

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

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

Changes in SBOE-determined multiplier for State Capacity Limit

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

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

The IRS Notice changed the IRS Limit from a static limit to a dynamic limit for the Guarantee Program based upon the cost value of Fund assets, multiplied by five. As of 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. On January 31, 2025, the Charter District Reserve Fund contained $120,355,020, which represented approximately 2.44% of the guaranteed charter district bonds. The Reserve Fund is held and invested as a non-commingled fund under the administration of the PSF Corporation staff.

Charter District Risk Factors

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

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

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

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

Ratings of Bonds Guaranteed Under the Guarantee Program

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

Valuation of the PSF and Guaranteed Bonds

Permanent School Fund Valuations

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

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

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

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

Annual Reports

The PSF Corporation, on behalf of the TEA, and the TEA will annually provide certain updated financial information and operating data to the

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

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

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

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

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

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

Event Notices

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

Availability of Information

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

Limitations and Amendments

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

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

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

Compliance with Prior Undertakings

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

SEC Exemptive Relief

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

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APPENDIX D

FORM OF BOND COUNSEL'S OPINION

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An opinion in substantially the following form will be delivered by Winstead PC and the Law Office of Tony Torres PLLC, as Co-Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.

WINSTEAD PC
112 East Pecan Street, Suite 725
San Antonio, Texas 78205

Law Office of Tony Torres, PLLC
118 East Cano Street
Edinburg, Texas 78539

__________________, 2026

SAN BENITO CONSOLIDATED INDEPENDENT SCHOOL DISTRICT
UNLIMITED TAX REFUNDING BONDS, SERIES 2026
IN THE ORIGINAL PRINCIPAL AMOUNT OF $__________

We have acted as Co-Bond Counsel to the San Benito Consolidated Independent School District (the "District") in connection with the issuance of the bonds described above (the "Bonds") for the sole purpose of providing legal advice and traditional legal services to the District, including rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Bonds from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data, or other material, but we have relied solely upon the transcript of certified proceedings, certifications, and other documents described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the District or the disclosure thereof in connection with the sale of the Bonds. We have relied solely on information and certifications furnished to us by the District with respect to the current outstanding indebtedness of, and assessed valuation of taxable property within, the District.

In our capacity as Co-Bond Counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Bonds that contains certified copies of certain proceedings of the Board of Trustees of the District (the "Board"); an order of the Board authorizing the Bonds adopted on November 12, 2025 together with a "Pricing Certificate" executed pursuant thereto on February __, 2026 providing for the final sale terms of the Bonds executed pursuant thereto (together the "Order"); the "Purchase Contract" dated February __, 2026 between the underwriter named therein and the District; the "Escrow Agreement" dated as of March 15, 2026 between the District and BOKF, NA (the "Escrow Agent"); a special report of Causey Public Finance, LLC, certified public accountants relating to the accuracy of certain mathematical computations and verifying the sufficiency of the deposits made with the Escrow Agent pursuant to the Escrow Agreement for the redemption of the obligations being defeased with the proceeds of the Bonds (such obligations, the "Refunded Bonds"; and such special report, the "Report"); the approving opinion of the Attorney General of the State of Texas; customary certificates of officers, agents, and representatives of the District (including a "Federal Tax Certificate"), and other public officials; and other documents relating to the issuance of the Bonds. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the truth and accuracy of the statements contained in such certificates. We have also examined applicable provisions of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), court decisions, Treasury Regulations, and published rulings of the Internal Revenue Service (the "Service") as we have deemed relevant. We have examined executed Bond No. I-1.

Based on said examination and in accordance with customary legal opinion practice, it is our opinion that:

1. The District is a validly existing political subdivision and school district of the State of Texas with power to adopt the Order, perform its agreements therein, and issue the Bonds.

2. The Bonds have been authorized, sold, and delivered in accordance with law.

3. The Bonds constitute valid and legally binding obligations of the District enforceable in accordance with their terms except as the enforceability thereof may be limited by principles of sovereign immunity, bankruptcy, insolvency, reorganization, moratorium, liquidation, and other similar laws now or hereafter enacted relating to creditors' rights generally.

4. Ad valorem taxes, within the legal limitations, upon all taxable property within the District, necessary to pay the principal of and interest on the Bonds, have been pledged irrevocably for such purpose.

5. Under the authority granted by Article 7, Section 5 of the Texas Constitution and Subchapter C of Chapter 45 of the Texas Education Code, as amended, the payment of the principal of and interest on the Bonds is guaranteed by the corpus of the Permanent School Fund of Texas. This guarantee will be removed from any Bonds defeased before their maturity.

6. Interest on the Bonds will be excludable from gross income for federal income tax purposes under section 103 of the Code and is not an item of tax preference for purposes of the federal alternative minimum tax; however, such interest may be taken into account in determining the "annual adjusted financial statement income" (as defined in section 56A of the Code) of "applicable corporations" (as defined in section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations.

7. The Escrow Agreement has been duly authorized, executed, and delivered by the District and, assuming the due authorization, execution, and delivery thereof by the Escrow Agent, is a valid and legally binding agreement, enforceable in accordance with its terms (except to the extent that the enforceability thereof may be affected by sovereign immunity, bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity) and the Refunded Bonds have been defeased and are regarded as being outstanding only for the purpose of receiving payment from the funds held in trust with the Escrow Agent, pursuant to the Escrow Agreement, and in accordance with the provisions of Chapter 1207, Texas Government Code. In rendering this opinion, we have relied upon the verification in the Report of the sufficiency of cash and investments deposited with the Escrow Agent pursuant to the Escrow Agreement for the purposes of paying the principal of and interest on the Refunded Bonds.

In rendering these opinions, we have relied upon representations and certifications of the District, the District's Financial Advisor, and the underwriters of the Bonds with respect to matters solely within the knowledge of such parties, respectively, which we have not independently verified.

Except as stated above, we express no opinion as to any other federal, state, or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on or the acquisition, ownership, or disposition of the Bonds.

We call your attention to the fact that the ownership of obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust, certain S corporations with Subchapter C earnings and profits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred expenses allocable to, tax-exempt obligations.

The Service has an ongoing audit program to determine compliance with rules relating to whether interest on state or local obligations is excludable from gross income for federal income tax purposes. No assurance can be given regarding whether or not the Service will commence an audit of the Bonds. If such an audit is commenced, under current procedures, the Service would treat the District as the taxpayer, and owners of the Bonds would have no right to participate in the audit process. 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.

The opinions set forth above are based on existing laws of the United States and the State of Texas, which are 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 hereafter come to our attention, or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent our legal judgment based on our review of existing law, and are made in reliance on the representations and covenants referenced above that we deem relevant to such opinions.

We express no opinion herein regarding the accuracy, adequacy, or completeness of the Official Statement relating to the Bonds.

This legal opinion expresses the professional judgment of these firms as to the legal issues explicitly addressed therein. In rendering a legal opinion, we do not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of our opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Respectfully submitted,

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