OFFICIAL STATEMENT
Dated: February 18, 2026

S&P Rating Insured "AA"
(See "OTHER INFORMATION - Rating")

NEW ISSUE - Book-Entry Only

In the opinion of Cantu Harden Montoya LLP ("Tax Counsel"), 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.

THE DISTRICT HAS DESIGNATED THE BONDS AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

$8,885,000
PRAIRIE LEA INDEPENDENT SCHOOL DISTRICT
(A political subdivision of the State of Texas located in Caldwell and Guadalupe Counties, Texas)
UNLIMITED TAX SCHOOL BUILDING BONDS
SERIES 2026

Dated Date: March 1, 2026 **Due: August 15, as shown on the inside cover page**

Prairie Lea Independent School District (the "District") is issuing its $8,885,000 Unlimited Tax School Building Bonds, Series 2026 (the "Bonds"). The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended, an election held in the District on November 4, 2025, and order adopted by the Board of Trustees of the District on February 18, 2026 (the "Order") authorizing the issuance of the Bonds. The Bonds are direct and voted obligations of the District payable from the proceeds of an ad valorem tax levied, without legal limit as to rate or amount, on all taxable property located within the District, as provided in the Order (see "THE BONDS – Authority for Issuance").

Interest on the Bonds will accrue from the date of their delivery and will be payable on August 15, 2026 and thereafter on February 15 and August 15 of each year, until stated maturity or prior redemption. The Bonds will be issued in principal denominations of $5,000 or any integral multiple thereof within a stated maturity. Interest accruing on the Bonds will be calculated on the basis of a 360-day year of twelve 30-day months (see "THE BONDS – Description of the Bonds").

The District intends to use the Book-Entry Only System of The Depository Trust Company, New York, New York ("DTC"), but use of such system could be discontinued. Principal, premium, if any, and interest on the Bonds will be payable to Cede & Co., as nominee for DTC, by BOKF, NA, Dallas, Texas, as the initial Paying Agent/Registrar (the "Paying Agent/Registrar") for the Bonds. No physical delivery of the Bonds will be made to the beneficial owners thereof. Such Book-Entry Only System will affect the method and timing of payment and the method of transfer of the Bonds (see "THE BONDS – Book-Entry Only System").

Proceeds from the sale of the Bonds will be used (i) for the design, construction, rehabilitation, renovation, expansion, improvement, acquisition, and equipment of school facilities, the necessary sites for school facilities, and the purchase of school buses and vehicles, with priority given to renovations to the elementary school, bathroom facilities, cafeteria, and auditorium for student curricular and UIL programs and (ii) to pay the costs incurred in the issuance of the Bonds. (See "THE BONDS – Purpose" and "THE BONDS – Sources and Uses of Funds").

The District reserves the right to redeem at its option the Bonds maturing on and after August 15, 2038, in whole or from time to time in part, in the principal amount of $5,000 or any integral multiple thereof, before their respective scheduled maturity dates, on August 15, 2035 or on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Build America Mutual Assurance Company ("BAM"). BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P").

The Bonds are offered for delivery when, as, and if issued and received by the underwriter listed below (the "Underwriter") and subject to the approving opinion of the Attorney General of Texas and the opinions of Cantu Harden Montoya LLP, San Antonio, Texas and Walsh Gallegos Kyle Robinson & De Los Santos, P.C., San Antonio, Texas, herein referred to as Co-Bond Counsel (see "APPENDIX C – FORMS OF CO-BOND COUNSEL'S OPINION AND TAX COUNSEL'S OPINION" hereto). Certain legal matters will be passed upon for the Underwriter by Jackson Walker, LLP, Houston, Texas, as counsel to the Underwriter.

It is expected that the Bonds will be available for delivery through the facilities of DTC on or about March 10, 2026.

RAYMOND JAMES

PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES AND YIELDS

$8,885,000* Unlimited Tax School Building Bonds, Series 2026

(Interest accrues from date of delivery)

$660,000 SERIAL BONDS

Maturity (8/15)[a]	Principal Amount	Interest Rate	Initial Reoffering Yield[b]	CUSIP No.[c] (739596)
2027	60,000	5.000	2.640	BT0
2028	65,000	5.000	2.640	BU7
2029	65,000	5.000	2.670	BV5
2030	70,000	5.000	2.720	BW3
2031	70,000	5.000	2.770	BX1
2032	75,000	5.000	2.910	BY9
2033	80,000	5.000	2.970	BZ6
2034	85,000	5.000	3.060	CA0
2035	90,000	5.000	3.210	CB8

$8,225,000 TERM BONDS

$285,000 5.000% Term Bonds due August 15, 2038, Priced to Yield 3.540%[d], CUSIP No.[c] 739596CC6

$220,000 5.000% Term Bonds due August 15, 2040, Priced to Yield 3.750%[d], CUSIP No.[c] 739596CD4

$235,000 5.000% Term Bonds due August 15, 2042, Priced to Yield 3.940%[d], CUSIP No.[c] 739596CE2

$265,000 5.000% Term Bonds due August 15, 2044, Priced to Yield 4.240%[d], CUSIP No.[c] 739596CF9

$295,000 5.000% Term Bonds due August 15, 2046, Priced to Yield 4.430%[d], CUSIP No.[c] 739596CG7

$1,130,000 5.000% Term Bonds due August 15, 2048, Priced to Yield 4.540%[d], CUSIP No.[c] 739596CH5

$1,910,000 5.000% Term Bonds due August 15, 2051, Priced to Yield 4.600%[d], CUSIP No.[c] 739596CJ1

$2,215,000 5.000% Term Bonds due August 15, 2054, Priced to Yield 4.650%[d], CUSIP No.[c] 739596CK8

$1,670,000 5.000% Term Bonds due August 15, 2056, Priced to Yield 4.680%[d], CUSIP No.[c] 739596CL6

(a) The District reserves the right to redeem at its option the Bonds maturing on and after August 15, 2038, in whole or from time to time in part, in the principal amount of $5,000 or any integral multiple thereof, before their respective scheduled maturity dates, on August 15, 2035 or on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption. (See "THE BONDS – Optional Redemption"). Additionally, the Bonds maturing on August 15 in the years 2038, 2040, 2042, 2044, 2046, 2048, 2051, 2054 and 2056 (the "Term Bonds") are subject to mandatory sinking fund redemption (see "THE BONDS – Mandatory Sinking Fund Redemption").

(b) The initial yields are established by, and are the sole responsibility of, the Underwriter and may subsequently be changed.

(c) 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. 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 Underwriter, the District, or the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein. Further, CUSIP numbers are subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a partial defeasance of the Bonds.

(d) Yield calculated based on the assumption that the Bonds denoted and sold at a premium will be redeemed on August 15, 2035, the first optional call date for such Bonds, at a redemption price of par, plus accrued interest to the redemption date.

USE OF INFORMATION IN THIS OFFICIAL STATEMENT

This Official Statement, which includes the cover page and the Appendices hereto, is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the District's undertaking to provide certain information on a continuing basis.

THE BONDS ARE EXEMPTED 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 JURISDICTION IN WHICH THESE SECURITIES HAVE BEEN REGISTERED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

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

None of the District, the Financial Advisor nor the Underwriter makes any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company, New York, New York ("DTC") or its Book-Entry Only System" as such information was provided by DTC.

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

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

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE" and "APPENDIX E - SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

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

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, 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 Prairie Lea Independent School District (the "District") is a political subdivision located in Caldwell and Guadalupe Counties, Texas. The District is governed by a seven-member Board of Trustees (the "Board"). Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools who is the chief administrative officer of the District. Consultants and advisors supply support services. See "INTRODUCTION – Description of the District."
Authority for Issuance	The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended, an election held in the District on November 4, 2025, and the order authorizing the issuance of the Bonds adopted by the Board of Trustees of the District on February 18, 2026 (the "Order") (see "THE BONDS – Authority for Issuance").
The Bonds	The District's Unlimited Tax School Building 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").
Payment of Interest	Interest on the Bonds will accrue from the date of their delivery and will be payable on August 15, 2026 and thereafter on February 15 and August 15 of each year, until stated maturity or prior redemption. (See "THE BONDS – Description of the Bonds").
Paying Agent/Registrar.....	The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas (see "THE BONDS – Paying Agent/Registrar"). Initially, the District intends to use the Book-Entry Only System of The Depository Trust Company, New York, New York (see "THE BONDS – Book-Entry Only System").
Security For The Bonds	The Bonds are direct and voted 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. (See "THE BONDS – Security and Source of Payment").
Optional and Mandatory Redemption	The District reserves the right to redeem at its option the Bonds maturing on and after August 15, 2038, in whole or from time to time in part, in the principal amount of $5,000 or any integral multiple thereof, before their respective scheduled maturity dates, on August 15, 2035 or on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption (see "THE BONDS – Optional Redemption"). Additionally, the Bonds maturing on August 15 in the years 2038, 2040, 2042, 2044, 2046, 2048, 2051, 2054 and 2056 (the "Term Bonds") are subject to mandatory sinking fund redemption (see "THE BONDS – Mandatory Sinking Fund Redemption").
Tax Exemption	In the opinion of Cantu Harden Montoya LLP ("Tax Counsel"), the interest on the Bonds will be excludable from gross income for federal tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under the caption "TAX MATTERS" herein, including the alternative minimum tax of the owners thereof who are individuals. See "TAX MATTERS" and "APPENDIX C - FORMS OF CO-BOND COUNSEL'S OPINION AND TAX COUNSEL'S OPINION". The opinion of Walsh Gallegos Kyle Robinson & De Los Santos, P.C. will not address federal tax matters. THE DISTRICT HAS DESIGNATED THE BONDS AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

Use of Proceeds	Proceeds from the sale of the Bonds will be used (i) for the design, construction, rehabilitation, renovation, expansion, improvement, acquisition, and equipment of school facilities, the necessary sites for school facilities, and the purchase of school buses and vehicles, with priority given to renovations to the elementary school, bathroom facilities, cafeteria, and auditorium for student curricular and UIL programs and (ii) to pay the costs incurred in the issuance of the Bonds. (See "THE BONDS – Purpose" and "THE BONDS – Sources and Uses of Funds").
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. The Bonds will be issued in principal denominations of $5,000 or any integral multiple thereof within a maturity. No physical delivery of the Bonds will be made to the beneficial owners thereof. The principal of the Bonds at maturity or on a prior redemption date 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").
Rating	The Bonds have been assigned an insured rating of "AA" by S&P Global Ratings, a division of Standard and Poor's Financial Services LLC ("S&P") based upon the Municipal Bond Insurance Policy to be issued by Build America Mutual Assurance Company. An explanation of the significance of such rating may be obtained from S&P. (See "OTHER INFORMATION – Rating").
Payment Record	The District has never defaulted on the payment of its bonded indebtedness.

$8,885,000
PRAIRIE LEA INDEPENDENT SCHOOL DISTRICT
UNLIMITED TAX SCHOOL BUILDING BONDS,
SERIES 2026

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 8/31	Estimated Population[1]	Taxable Assessed Valuation[2]	Taxable Assessed Valuation Per Capita	Tax Supported Debt Outstanding	Ratio of Tax Supported Debt to Assessed Valuation	Tax Supported Debt Per Capita
2022	1,730	$130,806,359	$ 75,611	$ 7,115,000	5.44%	$4,113
2023	1,805	224,265,599	124,247	6,915,000	3.08%	3,831
2024	1,841	268,839,747	146,029	6,705,000	2.49%	3,642
2025	1,977	274,681,828	138,939	6,485,000	2.36%	3,280
2026	2,021	258,534,749	127,924	15,370,000[3][4]	5.95%	7,605

[1] Source: Municipal Advisory Council of Texas
[2] As reported by Caldwell County Appraisal District and Guadalupe County Appraisal District on the District's annual State Property Tax Reports and such values are subject to change during ensuing year.
[3] Includes the Bonds.
[4] Projected outstanding debt includes 8/31/26 debt service payment.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

For Fiscal Year Ended August 31,

	2025	2024	2023	2022	2021
Beginning Balance	38,349[1]	$ 449,422	$ 646,113	$ 581,922	$ 360,705
Total Revenue	3,841,190	3,421,187	3,144,644	3,023,587	2,814,975
Total Expenditures	4,054,327	3,684,716	3,486,575	2,959,396	2,544,084
Excess/(Deficiency) of Revenues	(213,137)	(263,529)	(341,931)	64,191	270,891
Net Transfers/Adjustments	276,561	(166,201)	145,240	-	(49,674)
Ending Balance	101,773[3]	$ 19,692[2]	$ 449,422	$ 646,113	$ 581,922

Source: The District's audited financial statements.

[1] Restated.
[2] The decrease in fund balance is primarily due to one-time capital expenditures made during the 2023-24 fiscal year.
[3] The unaudited estimated fund balance at the end of the current fiscal year is expected to be $350,000.

For additional information regarding the District, please contact:

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Government Capital Securities Corporation
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Southlake, Texas 76092
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DISTRICT OFFICIALS, STAFF, AND CONSULTANTS

Elected Officials

Board of Trustees	Length of Service	Term Expires	Occupation
Ross Bairrington, President	5 Years	May, 2026	City Maintenance Supervisor
Rita Garcia, Vice President	7 Years	May, 2028	Accountant
Brian Nielsen, Secretary	1 Year	May, 2027	Ranch Manager
Molly Farrel, Trustee	1 Year	May, 2027	Retired
Lindsey Demetriou, Trustee	< 1 Year	May, 2028	Fire Fighter
David Laney, Trustee	2 Years	May, 2026	Retired
Brian Davila, Trustee	< 1 Year	May, 2028	Hospital Technician

Selected Administrative Staff

Name	Position	Length of Service Within District	Total Industry Experience
Buddy Freeman	Superintendent	1 Year	30 Years
Eric Tober	CFO	1 Year	1 Year

Consultants and Advisors

Auditors ..... Singleton, Clark & Company, PC
Cedar Park, Texas

Co-Bond Counsel .....Walsh Gallegos Kyle Robinson & De Los Santos, P.C.
San Antonio, Texas
Co-Bond Counsel ..... Cantu Harden Montoya, LLP
San Antonio, Texas

Financial Advisor .....Government Capital Securities Corporation
Southlake, Texas

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OFFICIAL STATEMENT
RELATING TO

$8,885,000
PRAIRIE LEA INDEPENDENT SCHOOL DISTRICT
UNLIMITED TAX SCHOOL BUILDING BONDS, SERIES 2026

INTRODUCTION

This Official Statement, which includes APPENDICES A, B, C, and D hereto, provides certain information regarding the issuance of the $8,885,000 Prairie Lea Independent School District Unlimited Tax School Building Bonds, Series 2026 (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the order adopted by the Board of Trustees (the "Board") of the Prairie Lea Independent School District (the "District") on February 18, 2026 authorizing the issuance of the Bonds (the "Order"), except as otherwise indicated herein.

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

Included in this Official Statement are descriptions of the Bonds, the Order, and certain other information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained by writing the Prairie Lea Independent School District, 6910 San Marcos Hwy 80, Prairie Lea, Texas 78661, and, during the offering period, from the District's Financial Advisor, Government Capital Securities Corporation, 559 Silicon Drive, Suite 102, Southlake, Texas 76092, upon payment of reasonable copying, mailing, and handling charges.

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

Description of the District

The District is a political subdivision of the State of Texas located in Caldwell and Guadalupe Counties, Texas. The District is governed by the Board. Policymaking and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools who is the chief administrative officer of the District. Support services are supplied by consultants and advisors.

THE BONDS

Description of the Bonds

The Bonds shall be dated March 1, 2026. Interest will accrue on the Bonds from the date of delivery thereof and will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds will mature on the dates and in the principal amounts set forth on the inside cover page of this Official Statement. The Bonds will be issued in principal denominations of $5,000 or any integral multiple thereof within a stated maturity. Interest on the Bonds is payable on August 15, 2026 and thereafter on February 15 and August 15 of each year, until stated maturity or prior redemption. The paying agent, registrar and transfer agent (the "Paying Agent/Registrar") for the Bonds is initially BOKF, NA, Dallas, Texas.

Initially, the Bonds will be 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 below. No physical delivery of the Bonds will be made to the beneficial owners. Principal of, premium, if any, and accrued interest on the Bonds will be paid by the Paying Agent/Registrar to Cede & Co., which will distribute the amounts paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS - Book-Entry Only System" for a more complete description of such system.

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

Optional Redemption

The District reserves the right to redeem at its option the Bonds maturing on and after August 15, 2038, in whole or from time to time in part, in the principal amount of $5,000 or any integral multiple thereof, before their respective scheduled maturity dates, on August 15, 2035 or on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the District shall determine the maturities and the principal amount thereof to be redeemed and shall direct the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) to call by lot or any other customary random selection method such Bonds, or portions thereof, within such maturity for redemption.

Mandatory Sinking Fund Redemption

The Bonds maturing August 15, 2038, 2040, 2042, 2044, 2046, 2048, 2051, 2054 and 2056 (the "Term Bonds") are subject to mandatory sinking fund redemption in part prior to their stated maturity, and will be redeemed by the District at the redemption prices equal to the principal amounts thereof plus interest accrued thereon to the redemption dates, on the dates and in the principal amounts shown in the following schedule:

$285,000 Term Bond (maturing August 15, 2038):

Date (Aug. 15)	Principal Amount
2036	$90,000
2037	$95,000
2038*	$100,000

*final maturity

$220,000 Term Bond (maturing August 15, 2040):

Date (Aug. 15)	Principal Amount
2039	$110,000
2040*	$110,000

*final maturity

$235,000 Term Bond (maturing August 15, 2042):

Date (Aug. 15)	Principal Amount
2041	$115,000
2042*	$120,000

*final maturity

$265,000 Term Bond (maturing August 15, 2044):

Date (Aug. 15)	Principal Amount
2043	$130,000
2044*	$135,000

*final maturity

$295,000 Term Bond (maturing August 15, 2046):

Date (Aug. 15)	Principal Amount
2045	$145,000
2046*	$150,000

*final maturity

$1,130,000 Term Bond (maturing August 15, 2048):

Date (Aug. 15)	Principal Amount
2047	$550,000
2048*	$580,000

*final maturity

$1,910,000 Term Bond (maturing August 15, 2051):

Date (Aug. 15)	Principal Amount
2049	$605,000
2050	$635,000
2051*	$670,000

*final maturity

$2,215,000 Term Bond (maturing August 15, 2054):

Date (Aug. 15)	Principal Amount
2052	$700,000
2053	$740,000
2054*	$775,000

*final maturity

$1,670,000 Term Bond (maturing August 15, 2056):

Date (Aug. 15)	Principal Amount
2055	$815,000
2056*	$855,000

*final maturity

The particular Term Bonds to be mandatorily redeemed shall be selected by lot or other customary random selection method. The principal amount of the Term Bonds to be mandatorily redeemed on such mandatory redemption date shall be reduced by the principal amount of such Term Bond which, by the 45th day prior to such mandatory redemption date, either has been acquired by the District or optionally redeemed and which, in either case, has not previously been made the basis for a reduction under this sentence. The principal amount of Term Bonds required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option of the District, by the principal amount of any Term Bond of such Stated Maturity which, at least fifty (50) days prior to the mandatory redemption date (1) shall have been defeased or acquired by the District and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the District with money in the Interest and Sinking Fund, or (3) shall have been redeemed pursuant to the

optional redemption provisions set forth above and not theretofore credited against a mandatory redemption requirement.

Notice of Redemption

At least thirty (30) days prior to a redemption date, a notice of redemption will be sent by U.S. mail, first class postage prepaid, in the name of the District to each registered owner of a Bond to be redeemed in whole or in part at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice.

ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. UPON THE GIVING OF THE NOTICE OF REDEMPTION AND THE DEPOSIT OF THE FUNDS NECESSARY TO REDEEM SUCH BONDS, THE AMOUNTS SO REDEEMED SHALL BE PAYABLE SOLELY FROM THE FUNDS PROVIDED FOR REDEMPTION, AND INTEREST WHICH WOULD OTHERWISE ACCRUE ON THE BONDS OR PORTIONS THEREOF CALLED FOR REDEMPTION SHALL TERMINATE ON THE DATE FIXED FOR REDEMPTION.

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Order have been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed has been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption is conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the District will not redeem such Bonds, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that such Bonds have not been redeemed.

The Paying Agent/Registrar and the District, so long as a Book-Entry Only System is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Order or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any 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 Order and will not be conducted by the District or the Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants, or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Bonds for redemption (see "THE BONDS – Book-Entry Only System").

Authority for Issuance

The Bonds are being issued pursuant to authority conferred by the Constitution and general laws of the State of Texas, including particularly Sections 45.001 and 45.003(b)(1), Texas Education Code, as amended, an election held in the District on November 4, 2025, and the Order. Capitalized terms used herein have the same meanings, respectively, assigned to such terms in the Order, except as otherwise indicated.

Purpose

Proceeds from the sale of the Bonds will be used (ifor the design, construction, rehabilitation, renovation, expansion, improvement, acquisition, and equipment of school facilities, the necessary sites for school facilities, and the purchase of school buses and vehicles, with priority given to renovations to the elementary school, bathroom facilities, cafeteria, and auditorium for student curricular and UIL programs and (ii) to pay the costs incurred in the issuance of the Bonds.

Sources and Uses of Funds

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

Sources of Funds:	
Par Amount of the Bonds	$8,885,000.00
Plus: Original Issue Premium	368,783.25
Total Sources of Funds	$9,253,783.25
Uses of Funds:	
Project Fund	$8,930,000.00
Underwriter's Discount and Issuance Costs[(1)]	323,134.47
Additional Proceeds	648.78
Total Uses of Funds	$9,253,783.25

[(1)] Includes, among other things, counsel fees, bond insurance premium and other costs of issuing the Bonds.

Security and Source of Payment

The Bonds are direct and voted obligations of the District, payable from the proceeds of 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.

Legality

The Bonds are offered when, as, and if issued, and subject to the approval of legality by the Attorney General of the State of Texas and the opinions of the District's Co-Bond Counsel, Walsh Gallegos Kyle Robinson & De Los Santos, P.C. and Cantu Harden Montoya LLP, both of San Antonio, Texas ("Co-Bond Counsel") (see "OTHER INFORMATION – Legal Matters", "APPENDIX C – FORMS OF CO-BOND COUNSEL'S OPINION AND TAX COUNSEL'S OPINION")

Amendments to the Order

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

Defeasance

The Order provides that the Bonds may be defeased, refunded or discharged in any manner permitted by applicable law.

The Order does not contractually limit defeasance investments to those described above. As a result, the holders of the Bonds will be deemed to have consented to other defeasance investments in the event that Texas law is changed to allow for such other defeasance investments.

Notwithstanding the above, the District may contractually limit defeasance investments in connection with the pricing of the Bonds. In such event, the Final Official Statement for the Bonds will provide details regarding the limitations on defeasance investments.

Book-Entry Only System

The following describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC (defined below) 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 and the Financial Advisor 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) TC 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.

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

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of 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-only system for the Bonds is discontinued.

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

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

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

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

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but neither the District or the Financial Advisor take any responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of This Official Statement

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

Effect of Termination of Book-Entry-Only System

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the District, printed physical Bond certificates will be issued to the respective holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Order and summarized under the caption "Transfer, Exchange, and Registration " below.

Paying Agent/Registrar

BOKF, NA, Dallas, Texas has been named to serve as initial Paying Agent/Registrar for the Bonds. In the Order, the District retains the right to replace the Paying Agent/Registrar. If the District replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the District shall be a commercial bank; a trust company organized under applicable law; or other entity duly qualified and legally authorized to serve and perform the duties of the 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 redemption payments of the Bonds will be paid to the registered owner at the stated maturity or earlier redemption upon presentation to the designated payment/transfer office of the Paying Agent/Registrar. If the date for the payment of the principal or interest on the Bonds is a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment will be the next succeeding day which is not such a day, and payment on such date will have the same force and effect as if made on the date payment was due. So long as Cede & Co. is the registered owner of the Bonds, principal, interest, and redemption payments on the Bonds will be made as described in "- Book-Entry Only System" above.

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 thereof to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. 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 principal 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 shall 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" 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 shall be required to transfer or exchange Bonds (i) during a period beginning at the close of business on any Record Date and ending with the next interest payment date or (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

Record Date for Interest Payment

The record date ("Record Date") for the interest payable on any interest payment date means the close of business on the last business day of the month next preceding such interest payment date; provided, however, that the Record Date for the initial interest payment date on the Bonds shall be the date of initial delivery of the Bonds.

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

Owners' Remedies

The Order does not provide for the appointment of a trustee to represent the interests 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, in the event of any such failure to perform, the registered owners would be responsible for the initiation and cost of any legal action to enforce performance of the Order. Furthermore, the Order does not establish specific events of default with respect to the Bonds and, under State law, there is no right to the acceleration of maturity of the Bonds upon the failure of the District to observe any covenant under the Order. A registered owner of Bonds could seek a judgment against the District if a default occurred in the payment of principal of or interest on any such Bonds; however, such judgment could not be satisfied by execution against any property of the District and a suit for monetary damages could be vulnerable to the defense of sovereign immunity. A registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the District to levy, assess, and collect an annual ad valorem tax sufficient to pay principal of and interest on the Bonds as it becomes due or perform other material terms and covenants contained in the Order. In general, Texas courts have held that a writ of mandamus may be issued to require a public official to perform legally imposed ministerial duties necessary for the performance of a valid contract, and Texas law provides that, following their approval by the Attorney General and issuance, the Bonds are valid and binding obligations for all purposes according to their terms. However, the enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis. The District is also 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 taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinions of Co-Bond Counsel will note that all opinions relative to the enforceability of the Order and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors, including rights afforded to creditors under the Bankruptcy Code.

BOND INSURANCE

BOND INSURANCE POLICY

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.bambonds.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at https://www.spglobal.com/en/. The rating of BAM should be evaluated independently. The rating reflects S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of December 31, 2025 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $514.1 million, $290 million and $224 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.bambonds.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

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

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at https://bambonds.com/insights/#video. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g.

general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at https://bambonds.com/credit-profiles. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

BOND INSURANCE RISKS

In the event of default of the scheduled payment of principal of or interest on the Bonds when all or a portion thereof becomes due, any owner of the Bonds shall have a claim under the Policy for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the District which is recovered by the District from the owner as a voidable preference under applicable bankruptcy law is covered by the Policy; however, such payments will be made by BAM at such time and in such amounts as would have been due absent such prepayment by the District (unless BAM chooses to pay such amounts at an earlier date).

Payment of principal of and interest on the Bonds will not be subject to acceleration, but other legal remedies upon the occurrence of non-payment do exists (see "THE BONDS - Owners' Remedies"). BAM may reserve the right to direct the pursuit of available remedies, and, in addition, may reserve the right to consent to any remedies available to and requested by the Bond holders.

In the event BAM is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from an ad valorem tax levied, without legal limit as to rate or amount, on all taxable property located within the District, as further described in "THE BONDS – Security and Source of Payment." In the event BAM becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the Bonds.

The long-term ratings on the Bonds will be dependent in part on the financial strength of BAM and its claims-paying ability. BAM's financial strength and claims-paying ability are predicated upon a number of factors which could change over time. No assurance can be given that the long-term ratings of BAM and the ratings on the Bonds, whether or not subject to the Policy, will not be subject to downgrade and such event could adversely affect the market price or the marketability (liquidity) for the Bonds.

The obligations of BAM under the Policy are general obligations of BAM and in an event of default by BAM, the remedies available may be limited by applicable bankruptcy law. None of the District, the Financial Advisor or the Underwriter have made independent investigation into the claims-paying ability of any potential bond insurer and no assurance or representation regarding the financial strength or projected financial strength of any potential bond insurer is given.

Claims-Paying Ability and Financial Strength of Municipal Bond Insurers

Moody's Investor Services, Inc., S&P, and Fitch Ratings (the "Rating Agencies") have downgraded and/or placed on negative watch the claims-paying ability and financial strength of most providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers is possible. In addition, recent

events in the credit markets have had substantial negative effects on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims-paying ability of such bond insurers, including any bond insurer of the Bonds. Thus, when making an investment decision, potential investors should carefully consider the ability of any such bond insurer to pay principal of and interest on the Bonds and the claims-paying ability of any such bond insurer, particularly over the life of the Bonds.

STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS

Litigation Relating to the Texas Public School Finance System

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

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

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

Possible Effects of Changes in Law on District Bonds

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

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

CURRENT PUBLIC SCHOOL FINANCE SYSTEM

Overview

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

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

2025 Legislative Session

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

The Governor called a first and second special session; the second began on August 15, 2025 and concluded on September 4, 2025. The agenda for the special session included the following items: (i) flood warning systems, (ii) flood emergency communications, (iii) relief funding for hill country floods, (iv) natural disaster preparation and recovery, (v) eliminating the STAAR test, (vi) cutting property taxes, (vii) protecting children from THC, (viii) regulating hemp-derived products, (ix) protecting unborn children, (x) banning taxpayer-funded lobbying, (xi) protecting human trafficking victims, (xii) police personnel records, (xiii) protecting women's spaces, (xiv) attorney general election powers, (xv) redistricting, (xvi) title theft and deed fraud, (xvii) water project incentives, (xviii) camp safety, (xix) penalties for willfully absent legislators, (xx) purchasing Ivermectin at pharmacies, (xxi) authorizing a groundwater study of East Texas aquifers, (xxii) banning same day voter registration, and (xxiii) authorizing certain contracts with sheriffs/constables and related transfers of funds.. The Governor also identified several bills that were vetoed or filed without signature that were placed on the special session agenda for further consideration. Additional special sessions may be called by the Texas 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 of the appraised value for all homesteads 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 older and the disabled from $10,000 to $60,000, and (3) effective January 1, 2026, the exemption for tangible personal property used in the "production of income" from $2,500 to $125,000. Additionally, legislation signed into law authorizes roughly $8.5 billion in funding for public schools and would provide districts with a $55 per-student increase to their base funding beginning September 1, 2025, as well as provide districts with additional funding for teacher and staff salaries, educator preparation, special education, safety requirements and early childhood learning. Finally, legislation 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 that the amount appropriated for purposes of the program for a state fiscal biennium must be established by the legislature by appropriation for that biennium. Such program could impact attendance in the District by incentivizing students to homeschool or attend private schools, which could negatively affect the District's attendance-based funding.

The District 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. The District does intend to monitor applicable legislation related thereto.

Local Funding for School Districts

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

State Compression Percentage

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

Maximum Compressed Tax Rate

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

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

If the increase in the residence homestead as proposed by the constitutional amendment does not take effect, beginning on September 1, 2025, and up until September 1, 2029, the Commissioner may adjust school districts' MCRs for the

2025-2026 school year accordingly. Before making an adjustment, the Commissioner shall notify and must receive approval from the Legislative Budget Board and the office of the Governor.

Tier One Tax Rate

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

Enrichment Tax Rate

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

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

State Funding for School Districts

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

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

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

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

Tier One

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

The Basic Allotment for school districts with a Tier One Tax Rate equal to the school district's MCR, is $6,160 plus the guaranteed yield increment adjustment (the "GYIA") for each student in ADA and is revised downward for school

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

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

Tier Two

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

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

The Foundation School Program also includes facilities funding components consisting of the IFA and the EDA, subject to legislative appropriation each State fiscal biennium. To the extent funded for a biennium, these programs assist school districts in funding facilities by, generally, equalizing a school district's I&S tax effort. The IFA guarantees each awarded school district a specified amount per student (the "IFA Yield") in State and local funds for each cent of I&S tax levied to pay the principal of and interest on eligible bonds issued to construct, acquire, renovate or improve instructional facilities. The IFA Yield has been $35 since this program first began in 1997. New awards of IFA are only available if appropriated funds are allocated for such purpose by the State Legislature. To receive an IFA award, in years where new IFA awards are available, a school district must apply to the Commissioner in accordance with rules adopted by the TEA before issuing the bonds to be paid with IFA State assistance. The total amount of debt service assistance over a biennium for which a school district may be awarded is limited to the lesser of (1) the actual debt service payments made by the school district in the biennium in which the bonds are issued; or (2) the greater of (a) $100,000 or (b) $250 multiplied by the number of students in ADA. The IFA is also available for lease-purchase agreements and refunding bonds meeting certain prescribed conditions. Once a school district receives an IFA award for bonds, it is entitled to continue receiving State assistance for such bonds without reapplying to the Commissioner. A school district may use additional state aid received from an IFA award only to pay the principal of and interest on the bonds for which the district received the aid. The guaranteed level of State and local funds per student percent of local tax effort applicable to the bonds may not be reduced below the level provided for the year in which the bonds were issued. For the 2026-2027 State fiscal biennium, the State Legislature did not appropriate any funds for new IFA awards; however, awards previously granted in years the State Legislature did appropriate funds for new IFA awards will continue to be funded.

State financial assistance is provided for certain existing eligible debt issued by school districts through the EDA program. The EDA guaranteed yield (the "EDA Yield") is the lesser of (i) $40 per student in ADA or a greater amount for any year provided by appropriation; or (ii) the amount that would result in a total additional EDA of $60 million more than the EDA to which school districts would have been entitled to if the EDA Yield were $35. The portion of a school district's local debt service rate that qualifies for EDA assistance is limited to the first $0.29 of its I&S tax rate (or a greater amount for any year provided by appropriation by the State Legislature). In general, a school district's bonds are eligible for EDA assistance if (i) the school district made payments on the bonds during the final fiscal year of the preceding State fiscal biennium, or (ii) the school district levied taxes to pay the principal of and interest on the bonds for that fiscal year. Each biennium, access to EDA funding is determined by the debt service taxes collected in the final year

of the preceding biennium. A school district may not receive EDA funding for the principal and interest on a series of otherwise eligible bonds for which the school district receives IFA funding.

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

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

Tax Rate and Funding Equity

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

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

Local Revenue Level in Excess of Entitlement

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

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

Options for Local Revenue Levels in Excess of Entitlement

Under Chapter 49, a school district has six options to reduce local revenues to a level that does not exceed the school district's respective entitlements: (1) a school district may consolidate by agreement with one or more school districts to form a consolidated school district; all property and debt of the consolidating school districts vest in the consolidated school district; (2) a school district may detach property from its territory for annexation by a property-poor school district; (3) a school district may purchase attendance credits from the State; (4) a school district may contract to educate nonresident students from a property-poor school district by sending money directly to one or more property-poor school districts; (5) a school district may execute an agreement to provide students of one or more other school districts with career and technology education through a program designated as an area program for career and technology education;

or (6) a school district may consolidate by agreement with one or more school districts to form a consolidated taxing school district solely to levy and distribute either M&O taxes or both M&O taxes and I&S taxes. A Chapter 49 school district may also exercise any combination of these remedies. Options (3), (4) and (6) require prior approval by the Chapter 49 school district's voters. A district that enters into an agreement to exercise an option to reduce the district's local revenue level in excess of entitlement under options (3), (4), or (5) for the 2025-2026 school year and that has not previously held an election to exercise said options may request and may receive approval from the Commissioner to delay the date of the election otherwise required to be ordered before September 1. The Commissioner shall set a date by which each district that receives approval to delay an election must order the election and requires the Commissioner, not later than the 2026-2027 school year, to order detachment and annexation of district property or consolidation as necessary to reduce the district's excess local revenue to the level established by law for a district that receives approval to delay an election and subsequently fails to hold the election or does not receive voter approval at the election. A district that receives approval of a request to delay the date of an election shall pay for credit purchased in equal monthly payments as determined by the Commissioner beginning March 15, 2026, and ending August 15, 2026. Alternatively, the district may pay for credit purchased with one lump sum payment made not later than August 15, 2026, provided that the district notifies the Commissioner of the district's election to pay through a lump sum not later than March 15, 2026.

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

School Finance System as Applied to the District

For the 2025-2026 fiscal year, the District has not been designated as an "excess local revenue" district by the TEA. Accordingly, the District has not been required to exercise one of the permitted wealth equalization options.

A district's status of any excess local revenue in Tier I and its wealth per student for Copper Penny purposes in Tier II must be tested for each future school year and, if it exceeds the maximum permitted levels, the excess must be reduced by exercising of one of the permitted wealth equalization options. If the District were to consolidate (or consolidate its tax base for all purposes) with a property-poor district, the outstanding debt of each district could become payable from the consolidated district's combined property tax base, and the District's ratio of taxable property to debt could become diluted. If the District were to detach property voluntarily, a portion of its outstanding debt (including the Bonds) could be assumed by the district to which the property is annexed, in which case timely payment of the Bonds could become dependent in part on the financial performance of the annexing district.

AD VALOREM TAX PROCEDURES

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. 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 county-wide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the District is the responsibility of the Caldwell County Appraisal District and the Guadalupe Appraisal District (collectively, the "Appraisal District"). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require

annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

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

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

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

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

State Mandated Homestead Exemptions

State law grants, with respect to each school district in the State, (1) a $140,000 exemption of the appraised value of all homesteads, (2) a $65,000 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.

Pursuant to voter approval at a Statewide election held on November 4, 2025, legislation passed by both houses of the Legislature during the 89th Regular Session 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.

Local Option Homestead Exemptions

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

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. Subject to voter approval at a Statewide election to be held on November 4, 2025, legislation passed by the Legislature and signed by the Governor during the 89th Regular Session would provide a person to an exemption from taxation by a taxing unit of $125,000 of the appraised value of the tangible personal property the person owns that is held or used for the production of income and has taxable situs at the same location in the taxing unit. A person who leases tangible personal property is also entitled to a tax exemption of $125,000, regardless of where the property is located in the taxing unit.

Freeport and Goods-In-Transit Exemptions

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

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

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

Other Exempt Property

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

Temporary Exemption for Qualified Property Damaged by a Disaster

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

Tax Increment Reinvestment Zones

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

elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

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

Tax Limitation Agreements

The Texas Economic Development Act (Chapter 313, Texas Tax Code, as amended) allowed school districts to grant limitations on appraised property values to certain corporations and limited liability companies to encourage economic development within the school district. Generally, during the last eight (8) years of the ten-year term of a tax limitation agreement, a school district could only levy and collect M&O taxes on the agreed-to limited appraised property value. For the purposes of calculating its Tier One and Tier Two entitlements, the portion of a school district's property that is not fully taxable is excluded from the school district's taxable property values. Therefore, a school district will not be subject to a reduction in Tier One or Tier Two State funds as a result of lost M&O tax revenues due to entering into a tax limitation agreement (see "CURRENT PUBLIC SCHOOL FINANCE SYSTEM – State Funding for School Districts"). The 87th Texas Legislature did not vote to extend this program, which expired by its terms effective December 31, 2022.

For a discussion of how the various exemptions described above are applied by the District, see "THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT" herein.

Tax Abatement Agreements

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

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

For a discussion of how the various exemptions described above are applied by the District, see " THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT" herein.

District and Taxpayer Remedies

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

Owners of certain property (being (i) commercial real and personal property, (ii) real and personal property of utilities, (iii) industrial and manufacturing real and personal property, and (iv) multifamily residential real property) with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at $61,349,201 for the 2025 tax year and is adjusted annually by the State Comptroller to reflect the inflation rate.

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

Levy and Collection of Taxes

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

District's Rights in the Event of Tax Delinquencies

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

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

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

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

TAX RATE LIMITATIONS

M&O Tax Rate Limitations

A school district is authorized to levy maintenance and operation ("M&O") taxes subject to approval of a proposition submitted to district voters. The maximum M&O tax rate that may be levied by a district cannot exceed the voted maximum rate or the maximum rate described in the next succeeding paragraph. 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 November 25, 1986 in

accordance with the provisions of Chapter 20, Texas Education Code (now codified at Section 45.003, Texas Education Code, as amended). See "APPENDIX A - Table 1 - Valuation, Exemptions and Tax Supported Debt" herein.

The maximum maintenance tax rate per $100 of taxable value that may be adopted by an independent school district is the sum of $0.17 and the school district's MCR. 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.

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 threshold tax rate test and which is received or to be received in that year. Additionally, a school district may demonstrate its ability to comply with the 50-cent Test by applying the $0.50 tax rate to an amount equal to 90% of projected future taxable value of property in the school district, as certified by a registered professional appraiser, anticipated for the earlier of the tax year five (5) years after the current tax year or the tax year in which the final payment for the bonds is due. However, if a school district uses projected future taxable values to meet the 50-cent Test and subsequently imposes a tax at a rate greater than $0.50 per $100 of valuation to pay for bonds subject to the test, then for subsequent bond issues, the Texas Attorney General must find that the school district has the projected ability to pay principal and interest on the proposed bonds and all previously issued bonds subject to the 50-cent Test from a tax rate of $0.45 per $100 of valuation. Once the prospective ability to pay such tax has been shown and the bonds are issued, a school district may levy an unlimited tax to pay debt service. The Bonds are issued as "new money bonds" and are subject to the $0.50 threshold tax rate test. In connection with prior bond issues, the District has not used State financial assistance (other than EDA or IFA allotment funding) or projected property values to satisfy this threshold test.

Public Hearing and Voter-Approval Tax Rate

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

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

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

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

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

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

THE PROPERTY TAX CODE AS APPLIED TO THE DISTRICT

The District does grant a State mandated $140,000 general residence homestead exemption.

Aside from an additional $60,000 for persons over 65 and the disabled, the District does not grant an exemption to the market value of the residence homestead of persons 65 years of age or older or the disabled.

The District does not grant a local-option exemption of 20% of the market value of residence homesteads; minimum exemption of $5,000.

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

The District does not tax nonbusiness personal property; and the Caldwell County Appraisal District collects taxes for the District.

The District does not permit split payments of taxes, and discounts for the early payment of taxes are not allowed.

The District does not tax freeport property.

The District has not taken action to tax goods-in-transit.

The District has not adopted a tax abatement policy and does not participate in a tax increment financing district.

The District has not entered into any appraised value limitation agreements pursuant to the Texas Economic Development Act, Chapter 313, Texas Tax Code.

EMPLOYEES' BENEFIT PLANS

The District's employees participate in a retirement plan (the "Plan") with the State of Texas. The Plan is administered by the Teacher Retirement System of Texas ("TRS"). State contributions are made to cover costs of the TRS retirement plan up to certain statutory limits. The District is obligated for a portion of TRS, costs relating to employee salaries that exceed the statutory limit. (See "APPENDIX B – PRAIRIE LEA INDEPENDENT SCHOOL DISTRICT ANNUAL FINANCIAL REPORT.") In addition to the TRS retirement plan, the District provides health care coverage for its employees.

Please see APPENDIX B for additional detail regarding the District's net pension liability and net other-post employment benefits (OPEB) liability.

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

INVESTMENTS

The District may invest its investable funds (including bond proceeds and money pledged to the payment of or as security for bonds or other indebtedness issued by the District or obligations under a lease, installment sale, or other agreement of the District) in investments authorized by State law in accordance with investment policies approved by the governing body of the District. Both State law and the District's investment policies are subject to change.

Legal Investments

Under State law, the District is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the District selects from a list the governing body of the District or designated investment committee of the District adopts as required by Section 2256.025, Texas Government

Code; or (ii) a depository institution with a main office or branch office in the State that the District selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the District's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the District appoints as the District's custodian of the banking deposits issued for the District's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the SEC and operating under SEC Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of Chapter 2256, Texas Government Code (the "Public Funds Investment Act"), that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or their respective successors, and are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for District deposits, or (ii) certificates of deposits where (a) the funds are invested by the District through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the District as required by law, or (B) a depository institution that has its main office or branch office in the State that is selected by the District, (b) the broker or the depository institution selected by the District arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the District, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the District appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d), Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the District with respect to the certificates of deposit; (10) fully collateralized repurchase agreements as defined in the Public Funds Investment Act, that have a defined termination date, are secured by a combination of cash and obligations described in clauses (1) or (13) in this paragraph, require the securities being purchased by the District or cash held by the District to be pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) 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 (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) 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; and (iv) the agreement to lend securities has a term of one year or less; (12) certain bankers' acceptances with stated maturity of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated not less than "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (13) commercial paper with a stated maturity of 365 days or less that is rated not less than "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 United States or state bank; (14) no-load money market mutual funds registered with and regulated by the SEC that provide the District with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with federal SEC Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and (15) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and have either (a) a duration of one year or more and invest exclusively in obligations described in under this heading, or (b) a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. 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, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract.

A political subdivision such as the District may enter into 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 (8) above, other than the prohibited obligations described below, (b) irrevocable letters of credit issued by a state or national bank that

is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) above, 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; and (iv) the agreement to lend securities has a term of one year or less.

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAAm" or an equivalent by at least one nationally recognized rating service. The District may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance, or resolution.

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

Investment Policies

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for District funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Texas Public Funds Investment Act. 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, the District's 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 District's investment officers must submit an investment report to the Board detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, and 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 strategies and (b) Texas law. No person may invest District funds without express written authority from the Board.

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

Opinion

The delivery of the Bonds is subject to the opinion of Cantu Harden Montoya LLP, San Antonio, Texas, 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 hereof (the "Code"), of the owners thereof pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals. The statute, regulations, rulings, and court decisions on which such opinions are based are subject to change. A form of Cantu Harden Montoya LLP's legal opinion appears in APPENDIX C hereto.

In rendering the foregoing opinion, Cantu Harden Montoya LLP will rely upon the representations and certifications of the District made in a certificate of even date with the initial 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 Order by the District subsequent to the issuance of the Bonds. The Order contains covenants by the District with respect to, among other matters, the use of the proceeds of the Bonds and the facilities and equipment financed or refinanced therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, if required, the calculation and payment to the United States Treasury of any arbitrage "profits" and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may 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, Cantu Harden Montoya LLP as 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. 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 Issuer described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Cantu Harden Montoya LLP and Cantu Harden Montoya LLP's legal 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 Issuer 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 Changes

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. It is uncertain whether this legislation will be enacted and, if so, whether it will be enacted in its current form. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Ancillary Tax Consequences

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, property and casualty insurance companies, life insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment

trust ("FASIT"), individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or 25 who 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 2022, the Code imposes a minimum tax of 15 percent of the adjusted financial statement income of certain large corporations, generally consisting of corporations (other than S corporations, regulated investment companies and real estate investment trusts) with more than $1 billion in average annual adjusted financial statement income, determined over a three-year period. For this purpose, adjusted financial statement income generally consists of the net income or loss of the taxpayer set forth on the taxpayer's applicable financial statement for the taxable year, subject to various adjustments, but is not reduced for interest earned on tax-exempt obligations, such as the Bonds. Prospective purchasers that could be subject to this minimum tax should consult with their own tax advisors regarding the potential impact of owning the Bonds.

Tax Accounting Treatment of Discount Bonds

The initial public offering price to be paid for 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 Bonds. A portion of such original issue discount, allocable to the holding period of a Discount Bond by the initial purchaser, will be treated as interest for federal income tax purposes, excludable from gross income on the same terms and conditions as those for other interest on the Bonds. 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 initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during his taxable year.

However, such accrued interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, S corporations with subchapter C earnings and profits, owners of an interest in a FASIT, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

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

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination for federal income tax purposes of accrued interest upon disposition of Discount Bonds 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 the 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 to be paid for certain Bonds may be greater than the stated redemption price 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 its stated redemption price 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 with respect to the Premium Bonds. 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 26 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.

Purchasers of the 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.

Qualified Tax-Exempt Obligations

Section 265 of the Code provides, in general, that interest expense to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner of such obligations. In addition, section 265 of the Code generally disallows 100% of any deduction for interest expense which is incurred by "financial institutions" described in such section and is allocable, as computed in such section, to tax-exempt interest on obligations acquired after August 7, 1986. Section 265(b) of the Code provides an exemption to this interest disallowance rule for financial institutions stating that such disallowance does not apply to interest expense allocable to certain tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) bonds) which are properly designated by an issuer as "qualified tax-exempt obligations." An issuer may designate obligations as "qualified tax-exempt obligations" only if the amount of the issue of which they are a part, when added to the amount of certain other tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) obligations other than certain current refunding bonds) issued or reasonably anticipated to be issued by the issuer and certain related entities during the same calendar year, does not exceed $10,000,000. The District designated the Bonds as "qualified tax exempt obligations" and certified to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Bonds as "qualified tax exempt obligations". Accordingly, it is anticipated that financial institutions which purchase the Bonds will not be subject to the 100% disallowance of interest expense allocable to interest on the Bonds under section 265(b) of the Code. However, the deduction for interest expense incurred by a financial institution which is allocable to the interest on the Bonds will be reduced by 20% pursuant to section 291 of the Code.

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 obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the MSRB. This information will be available free of charge from the MSRB via the EMMA system at www.emma.msrb.org.

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually in an electronic format as prescribed by the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in APPENDIX A of this Official Statement under Tables numbered one through five and seven through twelve (such information being the "Annual Operating Report"). The District will additionally provide financial statements of the District (the "Financial Statements"), that will be (i) prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the District may be required to employ from time to time pursuant to State law or regulation and shall be in substantially the form included in APPENDIX B and (ii) audited, if the District commissions an audit of such Financial Statements and the audit is completed within the period during which they must be provided. The District will update and provide the Annual Operating Report within six months after the end of each fiscal year and the Financial Statements within 12 months of the end of each fiscal year, in each case beginning with the fiscal year ending in and after 2026. The District may provide the Financial Statements earlier, including at the time it provides its Annual Operating Report, but if the audit of such Financial Statements is not complete within 12 months after any such fiscal year end, then the District shall file unaudited Financial Statements within such 12-month period and audited Financial Statements for the applicable fiscal year, when and if the audit report on such Financial Statements becomes available.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by Rule 15c2-12 of the United States Securities and Exchange Commission (the "Rule").

The District's current fiscal year end is August 31. Accordingly, the Annual Operating Report must be provided by the last day of 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.

Event Notices

The District will file with the MSRB notice of any of the following events with respect to the Bonds in a timely manner (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 a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material, (15) incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such financial obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such financial obligation of the District, any of which reflect financial difficulties.

Neither the Bonds nor the Order make any provision for debt service reserves, credit enhancement, 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) in the immediately preceding paragraph is considered to occur when any of the following occur; the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District. The term "financial obligation" used in clauses (15) and (16) of the immediately preceding paragraph means a: (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) a guarantee or either (A) or (B). The term "financial obligation" 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

All information and documentation filing required to be made by the District in accordance with its undertaking made for the Bonds will be filed 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 at www.emma.msrb.org.

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 the 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 and beneficial owners of the Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

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

Compliance with Prior Undertakings

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

OTHER INFORMATION

Rating

The Bonds have been assigned an insured rating of "AA" by S&P Global Ratings, a division of Standard and Poor's Financial Services LLC, ("S&P") based upon the Municipal Bond Insurance Policy to be issued by Build America Mutual Assurance Company. An explanation of the significance of such rating may be obtained from S&P. The rating reflects only the view of S&P 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 S&P, if in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds. Neither the Underwriter nor the District has undertaken any responsibility to bring to the attention of the Registered Owners of the Bonds any proposed revision or withdrawal of the rating of the Bonds or to oppose any such proposed revision or withdrawal. Any such change in or withdrawal of such rating could have an adverse effect on the market price of the Bonds. BAM's financial strength is rated "AA/Stable" by S&P.

No Litigation Certificate

The District is not a party to any litigation or other proceeding pending or to its knowledge, threatened, in any court, agency, or other administrative body (either state or federal) which, if decided adversely to the District, would have a material adverse effect on the financial statements or operations of the District. At the time of the initial delivery of the Bonds, the District will provide the Underwriter with a certificate substantially to the effect that no litigation of any nature has been filed or is then pending challenging the issuance of the Bonds or that affects the payment and security of the Bonds or in any other manner questioning the issuance, sale, or delivery of said Bonds.

Legal Investments and Eligibility to Secure Public Funds in Texas

Under the Texas Public Security Procedures Act (Texas Government Code, Chapter 1201), the Bonds (1) are negotiable instruments, (2) are investment securities to which Chapter 8 of the Texas Uniform Commercial Code

applies, and (3) are legal and authorized investments for (A) an insurance company, (B) a fiduciary or trustee, or (C) a sinking fund of a municipality or other political subdivision or public agency of the State of Texas. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Bonds may have to be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency before such Bonds are eligible investments for sinking funds and other public funds. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least $1 million of capital and savings and loan associations.

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

Registration and Qualification of Bonds for Sale

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

Legal Matters

The District will furnish to the Underwriter 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 of Texas to the effect that the Bonds are valid and legally binding obligations of the District, and based upon examination of such transcript of proceedings, the approving legal opinion of Walsh Gallegos Kyle Robinson & De Los Santos, P.C. and Cantu Harden Montoya LLP, both of San Antonio, Texas ("Co-Bond Counsel"), with respect to the Bonds being issued in compliance with the provisions of applicable law and to the effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under section 103(a) of the Internal Revenue Code of 1986, subject to the matters described under "TAX MATTERS" herein. The form of Co-Bond Counsel's opinion is attached hereto as APPENDIX C.

Though it represents the Financial Advisor and the Underwriter from time to time in matters unrelated to the issuance of the Bonds, Co-Bond Counsel has been engaged by, and only represents, the District in connection with the issuance of the Bonds. Co-Bond Counsel also advises the TEA in connection with its disclosure obligations under the federal securities laws, but Co-Bond Counsel has not passed upon any TEA disclosures contained in this Official Statement. 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 firm has reviewed the information appearing under the captions, "THE BONDS" (except under the subcaptions "Sources and Uses of Funds" and "Book-Entry Only System"), "STATE AND LOCAL FUNDING OF SCHOOL DISTRICTS IN TEXAS" (except "Possible Effects of Litigation and Changes in Law on District Bonds"), "CURRENT PUBLIC SCHOOL FINANCE SYSTEM", "TAX RATE LIMITATIONS", "TAX MATTERS," "CONTINUING DISCLOSURE OF INFORMATION" (except under the subcaption "Compliance with Prior Undertakings"), "OTHER INFORMATION – Legal Investments and Eligibility to Secure Public Funds in Texas", "OTHER INFORMATION—Legal Matters" (except for the last two sentences of this paragraph) and "OTHER INFORMATION – Registration and Qualification of Bonds for Sale," and such firm is of the opinion that the information relating to the Bonds and legal matters contained under such captions 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 to Co-Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the Underwriter by its counsel, Jackson Walker, LLP, Houston, Texas. The legal fee of such firm is contingent upon the sale and delivery of the Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the 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.

Financial Advisor

In its role as Financial Advisor, Government Capital Securities Corporation has relied on the District for certain information concerning the District and the Bonds. The fee of the Financial Advisor for services with respect to the Bonds is contingent upon the issuance and sale of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

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

Forward Looking Statements

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

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

Use of Audited Financial Statements

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

Underwriting

Raymond James (the "Underwriter") has agreed, subject to certain conditions, to purchase the Bonds from the District, at the respective prices indicated on the inside front cover of this Official Statement, less an underwriting discount of $68,222.58, and no accrued interest. The Underwriter will be obligated to purchase all of the Bonds if any Bonds are

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

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

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

The Underwriter and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

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

Cybersecurity

The District, like other school districts in the State, utilize technology in conducting its operations. As a user of technology, the District potentially faces cybersecurity threats (e.g., hacking, phishing, viruses, malware and ransomware) on its technology systems. Accordingly, the District may be the target of a cyber-attack on its technology systems that could result in adverse consequences to the District. The District employs a multi-layered approach to combating cybersecurity threats. While the District deploys layered technologies and requires employees to receive cybersecurity training, as required by State law, among other efforts, cybersecurity breaches could cause material disruptions to the District's finances or operations. The costs of remedying such breaches or protecting against future cyber-attacks could be substantial and there is no assurance that these costs will be covered by insurance. Further, cybersecurity breaches could expose the District to litigation and other legal risks, which could cause the District to incur other costs related to such legal claims or proceedings.

Weather Events

The District is located in an area that is susceptible to severe thunderstorms, heavy rain, hail, high winds, and tornadic activity. If a future weather event significantly damaged all or part of the properties comprising the tax base within the District, the assessed value of property within the District could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase in the District's tax rate. Texas law allows school districts to increase property tax rates without voter approval upon the occurrence of certain disasters such as floods and upon a gubernatorial or presidential declaration of disaster. See "TAX RATE LIMITATIONS – Public Hearing and Voter-Approval Tax Rate". There can be no assurance that a casualty loss to taxable property within the District will be covered by insurance (or that property owners will even carry flood or other casualty insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the District or be sufficient for such purposes. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the District could be adversely affected.

Miscellaneous

The financial data and other information contained herein have been obtained from the District's records, audited financial statements, and other sources that 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.

Concluding Statement

The information set forth herein has been obtained from the District's records, audited financial statements, and other sources which are considered to be reliable. There is no guarantee that any of assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents, and the Order contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and the Order. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects. The Order authorizing the issuance of the Bonds also will approve the form and content of this Official Statement and any addenda, supplement, or amendment thereto and authorize its further use in the re-offering of the Bonds by the Underwriter. This Official Statement has been approved by the Board for distribution in accordance with the provisions of the Rule.

ATTEST:

/S/ Brian Nielsen
Secretary, Board of Trustees
Prairie Lea Independent School District

/S/ Ross Bairrington
President, Board of Trustees
Prairie Lea Independent School District

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APPENDIX A

FINANCIAL INFORMATION REGARDING

PRAIRIE LEA INDEPENDENT SCHOOL DISTRICT

TABLE 1 - VALUATION, EXEMPTIONS, AND TAX SUPPORTED DEBT

District Direct Debt

2025/26 Certified Net Taxable Assessed Valuation[(1)]	$258,534,749
Outstanding Debt	6,485,000
Plus: The Bonds	8,885,000
Total Direct Debt	$15,370,000
As a % of 2025/26 Certified Taxable Assessed Valuation	5.95%

(1) Provided by Caldwell County Appraisal District and Guadalupe County Appraisal District.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Tax Year 2025	Tax Year 2024	Tax Year 2023	Tax Year 2022	Tax Year 2021
Gross Value	$689,898,960	$733,503,491	$663,397,051	$461,838,436	$296,523,892
Less Exemptions	431,364,211	458,821,663	394,557,304	237,572,837	165,717,533
Net Taxable Value	$258,534,749	$274,681,828	$268,839,747	$224,265,599	$130,806,359

TABLE 3 - VALUATION AND TAX SUPPORTED DEBT HISTORY

Fiscal Year Ended 8/31	Estimated Population[(1)]	Taxable Assessed Valuation[(2)]	Taxable Assessed Valuation Per Capita	Tax Supported Debt Outstanding	Ratio of Tax Supported Debt to Assessed Valuation	Tax Supported Debt Per Capita
2022	1,730	$130,806,359	$ 75,611	$ 7,115,000	5.44%	$4,113
2023	1,805	224,265,599	124,247	6,915,000	3.08%	3,831
2024	1,841	268,839,747	146,029	6,705,000	2.49%	3,642
2025	1,977	274,681,828	138,939	6,485,000	2.36%	3,280
2026	2,021	258,534,749	127,924	15,370,000[(3)(4)]	5.95%	7,605

(1) Source: Municipal Advisory Council of Texas
(2) As reported by Caldwell County Appraisal District and Guadalupe County Appraisal District on the District's annual State Property Tax Reports and such values are subject to change during ensuing year.
(3) Includes the Bonds.
(4) Projected outstanding debt includes 8/31/26 debt service payment.

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TABLE 4 - TAX RATE, LEVY, AND COLLECTION HISTORY

Fiscal Year Ended 8/31	Tax Year	Taxable Assessed Valuation[1]	Tax Rate	Tax Levy[2]	Percent Collected	
					Current	Total
2022	2021	$130,806,359	$1.2432	$1,828,123	95.14%	96.94%
2023	2022	224,265,599	1.1343	2,452,894	94.72%	95.16%
2024	2023	268,839,747	0.9478	2,437,493	93.00%	93.00%
2025	2024	274,681,828	0.9455	2,228,516	93.00%	93.00%
2026	2025	258,534,749	0.9455	2,367,253	(In process of collection)	

[1] Net of exemptions. Assessed valuations do not include adjustments in supplemental rolls made after the end of each fiscal year.
[2] Excludes penalties and interest.

TABLE 5 - TEN LARGEST TAXPAYERS

Taxpayers	Type of Property	2025/26 Net Taxable Assessed Valuations	% of Total 2025/26 Assessed Valuation
1. Texas Petroleum Investment Co.	Oil & Gas	$45,740,930	17.69%
2. Ctx Spe 1 LP	Commercial Building	6,025,470	2.33%
3. Oasis Pipe Line Co. TX LP	Oil & Gas Pipeline	5,748,601	2.22%
4. SME Properties LLC	Recreational	3,613,851	1.40%
5. LCRA Transmission Services Corp.	Utility	2,920,540	1.13%
6. Secure Vision of America Inc.	Recreational	2,537,080	0.98%
7. Rodg DT Gristmill Propco Horizontal 1 LLC	Developer	1,828,310	0.71%
8. RBR Operating Inc.	Oil & Gas	1,350,318	0.52%
9. David A. Cain	Residential Homes	1,333,480	0.52%
10. Blue River Campground LLC	Recreational	643,226	0.25%
Total		$71,741,806	27.75%[1]

[1] As shown in the table above, the top ten taxpayers in the District currently account for over 27% of the District's tax base. Adverse developments in economic conditions, especially in a particular top taxpayer's industry or the utility industry more generally, could adversely impact these businesses and, consequently, the tax values win the District, resulting in less local tax revenue. If any major taxpayer, or a combination of top taxpayers, were to default in the payment of taxes, the ability of the District to make timely payment of debt service on the Notes may be dependent on its ability to enforce and liquidate its tax lien, which is a time consuming process that may only occur annually or to fund debt service payments from other resources, if available. See "THE BONDS – Owners' Remedies" and "AD VALOREM TAX PROCEDURES - District's Rights in the Event of Tax Delinquencies" herein.)

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TABLE 6 - ESTIMATED OVERLAPPING DEBT

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

Taxing Jurisdiction	As Of	Total Debt[(a)]	Estimated % Overlapping	Overlapping Debt
Caldwell Co.	11/30/25	$0	3.56%	$ 0
Guadalupe Co.	11/30/25	$0	0.17%	0
Estimated (Net) Overlapping Debt				$ 0
Prairie Lea ISD[(b)]		15,395,000		15,370,000
Total Direct & Estimated Overlapping Debt				$15,370,000
As a % of Certified 2025/26 Taxable Assessed Valuation				5.95%

(a) Gross Debt
(b) Includes the Bonds. Preliminary, subject to change.

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DEBT INFORMATION

TABLE 7 – TAX SUPPORTED DEBT SERVICE REQUIREMENTS

FISCAL YEAR ENDED 8/31	OUTSTANDING DEBT	PLUS: THE BONDS PRINCIPAL	INTEREST	TOTAL DEBT SERVICE
2026	$ 396,512.50	$ -	$ 191,274.31	$ 587,786.81
2027	392,312.50	60,000	444,250.00	896,562.50
2028	392,912.50	65,000	441,250.00	899,162.50
2029	393,112.50	65,000	438,000.00	896,112.50
2030	392,912.50	70,000	434,750.00	897,662.50
2031	394,962.50	70,000	431.250.00	896,212.50
2032	391,712.50	75,000	427,750.00	894,462.50
2033	394,712.50	80,000	424,000.00	898,712.50
2034	393,912.50	85,000	420,000.00	898,912.50
2035	393,012.50	90,000	415,750.00	898,762.50
2036	394,012.50	90,000	411,250.00	895,262.50
2037	394,712.50	95,000	406,750.00	896,462.50
2038	393,312.50	100,000	402,000.00	895,312.50
2039	391,812.50	110,000	397,000.00	898,812.50
2040	395,212.50	110,000	391,500.00	896,712.50
2041	393,412.50	115,000	386,000.00	894,412.50
2042	396,512.50	120,000	380,250.00	896,762.50
2043	393,552.00	130,000	374,250.00	897,802.00
2044	395,425.00	135,000	367,750.00	898,175.00
2045	392,100.00	145,000	361,000.00	898,100.00
2046	393,662.50	150,000	353,750.00	897,412.50
2047	-	550,000	346,250.00	896,250.00
2048	-	580,000	318,750.00	898,750.00
2049	-	605,000	289,750.00	894,750.00
2050	-	635,000	259,500.00	894,500.00
2051	-	670,000	227,750.00	897,750.00
2052	-	700,000	194,250.00	894,250.00
2053	-	740,000	159,250.00	899,250.00
2054	-	775,000	122,250.00	897,250.00
2055	-	815,000	83,500.00	898,500.00
2056	-	855,000	42,750.00	897,750.00
	$8,269,775.00	$8,885,000	$10,343,774.31	$27,498,549.31

Average Annual Debt Service Requirements ..... $ 899,250.00
Maximum Annual Debt Service Requirement..... $1,074,175.00

TABLE 8 - AUTHORIZED BUT UNISSUED UNLIMITED TAX BONDS

After the issuance of the Bonds, the District will have no authorized but unissued unlimited tax bonds. The District does not anticipate issuing additional debt this fiscal year.

TABLE 9 - OTHER OBLIGATIONS

The District had no additional debt outstanding as of August 31, 2025.

TABLE 10 - SCHEDULE OF GENERAL FUND REVENUES AND EXPENDITURE HISTORY

For Fiscal Year Ended August 31st

	2025	2024	2023	2022	2021
REVENUES					
Local and Intermediate Sources	$ 1,876,261	$ 1,786,908	$ 1,930,591	$ 1,437,145	$ 1,558,357
State Program Revenues	1,963,014	1,608,060	1,189,753	1,586,442	1,219,603
Federal Program Revenues	1,915	26,219	24,300	-	37,015
Total Revenues	$ 3,841,190	$ 3,421,187	$ 3,144,644	$ 3,023,587	$ 2,814,975
EXPENDITURES					
Current:					
Instruction	$ 1,731,183	$ 1,578,706	$ 1,491,345	$ 1,419,085	$ 1,235,627
Instructional Resources and Media Services	53,385	55,090	46,087	45,393	44,567
Curriculum and Instructional Staff Development	3,403	399	-	405	122
School Leadership	220,537	346,192	323,213	281,239	226,529
Guidance, Counseling & Evaluation Services	583	9	960	-	-
Health Services	74,853	18,866	8,355	30,738	39,925
Student Transportation	351,192	79,115	111,195	67,305	75,226
Food Services	959	635	-	-	2,975
Extracurricular Activities	223,939	217,015	289,336	143,095	104,105
General Administration	591,748	524,668	505,395	438,371	350,553
Facilities Maintenance and Operations	500,790	628,838	427,583	348,798	262,781
Security and Monitoring Services	14,200	28,212	18,852	21,058	10,805
Data Processing Services	111,947	22,031	21,087	26,032	25,235
Community Services	-	-	-	-	-
Debt Service - Principal	34,568	32,704	18,475	7,174	13,275
Debt Service - Interest	20,379	6,514	3,676	309	133
Debt Service - Bond Issuance Costs	6,461	-	911	-	-
Facilities Acquisition and Construction	39,406	69,789	144,312	49,794	86,787
Payments to Fiscal Agent of SSA	69,360	69,360	68,184	80,600	60,451
Other Intergovernmental Charges	5,434	6,573	7,609	-	4,988
Total Expenditures	$ 4,054,327	$ 3,684,716	$ 3,486,575	$ 2,959,396	$ 2,544,084
Excess (Deficiency) of Revenues Over (Under) Expenditures	(213,137)	(263,529)	(341,931)	64,191	270,891
OTHER FINANCING SOURCES AND (USES)					
Proceeds from Right to Use Leased Assets	-	-	30,511	-	-
Non-Current Loan Proceeds	276,561	-	114,729	-	-
Transfers in	-	-	-	-	-
Transfers out	-	(166,201)	-	-	(49,674)
Total Other Financing Sources (Uses)	276,561	(166,201)	145,240	-	(49,674)
Net Change in Fund Balances	63,424	(429,730)	(196,691)	64,191	221,217
Fund Balance – Beginning	38,349[1]	449,422	646,113	581,922	360,705
Fund Balance - Ending	$ 101,773[3]	$ 19,692[2]	$ 449,422	$ 646,113	$ 581,922

Source: The District's audited financial statements.

[1] Restated.
[2] The decrease in fund balance is primarily due to one-time capital expenditures made during the 2023-24 fiscal year.
[3] The unaudited estimated fund balance at the end of the current fiscal year is expected to be $350,000.

TABLE 11 - GENERAL OPERATING FUND COMPARATIVE BALANCE SHEET[a]

For Fiscal Year Ended August 31st

	2025	2024	2023	2022	2021
ASSETS					
Cash and Cash Equivalents	$ 230,766	$ 268,618	$ 280,739	$ 534,154	$ 613,250
Investments - Current	23,451	22,421	21,256	20,363	69,124
Property Taxes - Delinquent	431,336	418,034	315,354	275,850	247,152
Allowance for Uncollectible Taxes (Credit)	(43,136)	(41,803)	(31,535)	(27,585)	(24,716)
Due from Other Governments	69,869	-	29,512	17,042	24,300
Due from Other Funds	234,936	260,701	369,788	211,706	61,038
Due from Trust and Custodial Funds	-	-	1,876	16,541	11,696
Other Receivables	-	33,595	37,058	-	-
Total Assets	$ 947,222	$ 961,566	$1,024,048	$1,048,071	$1,001,844
LIABILITIES					
Bonds and Loans Payable - Current Year	$ 120,000	$ 240,000	$ -	$ -	$ -
Accounts Payable	71,111	-	51,840	49,392	51,826
Payroll Deductions and Withholdings	3,455	-	1,636	-	-
Accrued Wages Payable	99,072	97,639	52,933	76,138	99,592
Due to Other Funds	159,629	195,281	27,879	26,556	25,405
Due to Other Governments	-	-	-	-	18,558
Due to Trust and Custodial Funds	1,861	2,523	-	-	-
Accrued Expenditures	2,121	-	1,143	1,607	2,105
Unavailable Revenues		30,200	155,376	-	-
Total Liabilities	$ 457,249	$ 565,643	$ 290,807	$ 153,693	$ 197,486
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows-Unavailable Revenues	388,200	376,231	283,819	248,265	222,436
Total Deferred Inflows of Resources	388,200	376,231	283,819	248,265	222,436
FUND BALANCES					
Restricted for:					
Federal or State Funds Restricted	-	-	-	-	-
Retirement of Long-Term Debt	-	-	-	-	-
Other Restricted Fund Balance	-	-	-	-	-
Committed for:					
Construction	-	-	300,000	300,000	300,000
Unassigned Fund Balance	101,773	19,692	149,422	346,113	281,922
Total Fund Balance	$ 101,773	$ 19,692	$ 449,422	$ 646,113	$ 581,922
Total Liabilities, Deferred Inflows & Fund Balances	$ 947,222	$ 961,566	$1,024,048	$1,048,071	$1,001,844

[a] Source: The District's audited financial reports.

TABLE 12 - CURRENT INVESTMENTS

As of December 31, 2025, the District's investable funds amounted to $2,188,014. The following summary itemizes the District's investment portfolio by type of security:

	Percent	Book Value	Market Value
I&S Account	39.80%	$ 994,822	$ 994,822
Other Bank Accounts	59.25%	1,480,673	1,480,673
TexPool	0.95%	23,770	23,770
Total	100.00%	$ 2,499,265	$ 2,499,265

APPENDIX B

PRAIRIE LEA INDEPENDENT SCHOOL DISTRICT ANNUAL FINANCIAL REPORT

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PRAIRIE LEA INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL AND
COMPLIANCE REPORT

FOR THE YEAR ENDED
AUGUST 31, 2025

SINGLETON, CLARK
& COMPANY, PC CERTIFIED PUBLIC ACCOUNTANTS

PRAIRIE LEA INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL AND COMPLIANCE REPORT
FOR THE YEAR ENDED AUGUST 31, 2025

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PRAIRIE LEA INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL AND COMPLIANCE REPORT
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CERTIFICATE OF BOARD

Prairie Lea Independent School District	Caldwell	028-906
Name of School District	County	Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) ✓ approved _____ disapproved for the year ended August 31, 2025, at a meeting of the Board of Trustees of such school district on the 8 day of January, 2026.

Signature of Board Secretary

Signature of Board President

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

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Prairie Lea 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 Prairie Lea Independent School District (the "District"), as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the 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 District, as of August 31, 2025, and the respective changes in financial position, and the respective budgetary comparison for the General Fund 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 District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements 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 and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included within the annual report. The other information comprises exhibits required by the Texas Education Agency which present property tax collection and receivable information, budget-to-actual comparisons for the Child Nutrition Fund and Debt Service Fund, and information related to expenditure levels of selected state funding allotments. Our opinions on the basic financial statements do not cover this 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 November 21, 2025 on our consideration of Prairie Lea 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 District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Singleton, Clark & Company, PC

Singleton, Clark & Company, PC
Cedar Park, Texas

November 21, 2025

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MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Prairie Lea Independent School District (the "District") discuss and analyze the financial performance of the District for the fiscal year ended August 31, 2025. Please read this information in conjunction with the District's basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's net position for governmental activities increased by $96,801 as a result of this year's current operations, to end at $2,343,750.

- Total governmental funds of the District (the General Fund plus all Special Revenue Funds, and the Debt Service Fund) reported an overall fund balance increase of $385,385, to end at $1,025,394.

- The General Fund of the District reported a fund balance increase of $63,424 for the year, to end at $101,773.

OVERVIEW OF THE FINANCIAL SECTION

The Financial Section is the most substantial part of this Annual Financial and Compliance Report. It consists of the independent auditor's report, management's discussion and analysis (this section), a set of basic financial statements with required note disclosures, and finally, required supplementary information and other supporting statements and schedules as applicable.

Independent Auditor's Report

State law requires the District's financial statements to be audited by an independent certified public accountant each year. The primary purpose of the annual audit is for the auditor to express an opinion as to whether the financial statements of the District appear to be free from material misstatement. The audit is required to be conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The District received an *Unmodified* opinion on its financial statements this year.

Management's Discussion and Analysis

The Management's Discussion and Analysis (MD&A) section of the report is intended to introduce the financial statements and to provide discussion and analysis regarding the financial performance of the District during the year. The MD&A is written by management of the District and provides for a less formal presentation of the financial activities of the District than is found within the basic financial statements themselves.

Basic Financial Statements

The Basic Financial Statements consist of a series of financial statements and required note disclosures. These statements include government-wide financial statements which present the District in a consolidated and long-term manner using full-accrual accounting similar to that of a business enterprise, and fund financial statements which present a more detailed view of the District using a more short-term view and traditional modified-accrual governmental accounting. These financial statements are followed with detailed notes which provide narrative explanations and additional data for full disclosure of information.

Required Supplementary Information

The previously discussed Management's Discussion and Analysis section is considered to be required supplementary information, however, the governmental reporting framework requires that it be presented before the financial statements. When applicable, additional required supplementary information must follow the financial statements. Within this financial report, the District presents required schedules related to its participation in the Teacher Retirement System of Texas and the Texas Public School Retired Employees Group Insurance Plan.

Combining and Individual Fund Statements and Schedules

The combining statements provide detailed information about the District's nonmajor funds. While the primary financial statements present the nonmajor funds in a consolidated manner, the combining statements list all of the nonmajor funds separately, each in its own column. In addition, this section also includes schedules required by the Texas Education Agency to report tax collection information and budget to actual information for the District's child nutrition and debt service functions.

OVERVIEW OF THE FEDERAL AWARDS SECTION

Report on Internal Controls and Compliance

In accordance with *Government Auditing Standards*, the auditor is required to consider the internal controls the District has in place over financial reporting and whether any noncompliance with rules, laws, and regulations was noted during the audit. This report describes the scope of the testing of internal control and compliance, however, it does not provide an opinion on the effectiveness of internal control or on compliance.

Schedule of Findings and Questioned Costs

The Schedule of Findings and Questioned Costs provides an overall summary of auditor results, including identification of the type of opinion on the financial statements, whether any significant deficiencies or material weaknesses in internal controls were observed by the audit firm, and whether any material noncompliance was noted.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins with the government-wide financial statements which immediately follow this section. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. The primary purpose of these financial statements is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets, deferred outflows, liabilities, and deferred inflows at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

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

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

In the Statement of Net Position and the Statement of Activities, school districts divide their financial activities as follows:

- Governmental activities – School districts report basic services here, including the instruction of students, counseling, co-curricular activities, child nutrition services, transportation, maintenance, community services, and general administration. Property taxes, state block grants based on student attendance and demographics, and other state and federal grants finance most of these activities.

- Business-type activities – School districts may charge a fee to "customers" to help it cover all or most of the cost of services it provides for child care programs or other activities that closely model a business venture.

Our school district reported governmental activities this year, however, we did not engage in business-type activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements follow the government-wide statements and provide detailed information about the most significant funds of the District, not the District as a whole. Laws and regulations require the District to establish separate funds, such as for grants received from the state and federal government, money received from bond issues for capital projects, or for money raised specifically for debt service purposes, in order to clearly display financial accountability for use of these funds.

School districts use two different kinds of funds for operations, governmental funds and proprietary funds, which use different accounting approaches.

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

- A school district will use *proprietary funds* to account for the activities for which it charges users (whether outside customers or other units of the District). Proprietary funds use the same accounting methods employed in the Statement of Net Position and the Statement of Activities. In fact, when a district utilizes enterprise funds, (one category of proprietary funds) these are the business-type activities reported in the government-wide statements but they contain more detail and additional information, such as cash flows. Internal service funds (the other category of proprietary funds) report activities that provide supplies and services for a district's other programs and activities, such as a district's self-insurance programs.

Our District reported several governmental funds this year, however, we did not utilize proprietary funds.

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities and alumni scholarship programs. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages that follow the governmental fund and proprietary fund financial statements. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is however responsible for applying sound financial internal controls over these funds and for ensuring that these resources are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

Net position of the District's governmental activities increased from $2,246,949 (as restated) to $2,343,750. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was ($1,141,648) at August 31, 2025. The increase in governmental net position was primarily due to higher than originally anticipated state program revenues.

Table I
PRAIRIE LEA INDEPENDENT SCHOOL DISTRICT
NET POSITION

	Governmental Activities 2025	(As Restated) Governmental Activities 2024	Change
Current & Other Assets	$ 1,838,263	$ 1,698,436	$ 139,827
Capital Assets	9,285,939	9,417,668	(131,729)
Total Assets	11,124,202	11,116,104	8,098
Deferred Outflows of Resources	1,634,253	1,605,193	29,060
Current Liabilities	347,122	606,881	(259,759)
Long-Term Liabilities	9,026,468	8,759,754	266,714
Total Liabilities	9,373,590	9,366,635	6,955
Deferred Inflows of Resources	1,041,115	1,107,713	(66,598)
Net Position:			
Net Investment in Capital Assets	2,465,037	2,618,606	(153,569)
Restricted	1,020,361	684,767	335,594
Unrestricted	(1,141,648)	(1,056,424)	(85,224)
Total Net Position	$ 2,343,750	$ 2,246,949	$ 96,801

Table II
PRAIRIE LEA INDEPENDENT SCHOOL DISTRICT
CHANGES IN NET POSITION

	Governmental Activities 2025	(As Restated) Governmental Activities 2024	Change
Revenues:			
Program Revenues:			
Charges for Services	$ 29,624	$ 29,934	$ (310)
Operating Grants & Contributions	1,561,362	1,267,000	294,362
General Revenues:			
Maintenance & Operations Taxes	1,710,957	1,791,007	(80,050)
Debt Service Taxes	716,505	728,623	(12,118)
State Aid - Formula Grants	1,795,407	1,467,182	328,225
Grants & Contributions not Restricted	17,203	21,999	(4,796)
Investment Earnings	52,311	49,154	3,157
Miscellaneous	135,152	45,395	89,757
Total Revenue	6,018,521	5,400,294	618,227
Expenses:			
Instruction	2,844,437	2,398,275	446,162
Instructional Resources & Media Services	57,067	59,462	(2,395)
Curriculum & Instructional Staff Development	3,758	442	3,316
School Leadership	267,576	727,561	(459,985)
Guidance, Counseling, & Evaluation Services	644	10	634
Health Services	92,363	20,916	71,447
Student Transportation	131,122	130,288	834
Food Services	381,006	338,183	42,823
Extracurricular Activities	267,192	233,380	33,812
General Administration	667,733	591,056	76,677
Facilities Maintenance and Operations	571,728	669,843	(98,115)
Security and Monitoring Services	175,472	31,056	144,416
Data Processing Services	162,909	(8,555)	171,464
Community Services	-	3,033	(3,033)
Debt Service	216,106	190,069	26,037
Payments to Fiscal Agent of SSA	76,605	76,896	(291)
Other Intergovernmental Charges	6,002	7,287	(1,285)
Total Expenses	5,921,720	5,469,202	452,518
Change in Net Position	96,801	(68,908)	165,709
Net Position at 9/1/24 and 9/1/23	2,246,949	2,315,857	(68,908)
Net Position at 8/31/25 and 8/31/24	$ 2,343,750	$ 2,246,949	$ 96,801

THE DISTRICT'S FUNDS

As the District completed this annual period, the General Fund reported a fund balance of $101,773, which is $63,424 more than last year's total of $38,349 (as restated). The increase in fund balance is mainly attributable to higher than originally anticipated state program revenues.

The District's State-Funded Special Revenue Fund, a major fund for the year ended August 31, 2025 reported $843,597 in state program revenues and expenditures and an ending fund balance of $-0-. The purpose of the State-Funded Special Revenue Fund is to account for funds that are received from the state and not accounted for in another fund.

The District's Debt Service Fund reported a fund balance of $883,343, which is $351,108 more than last year's total of $532,235. The Debt Service fund balance was more at August 31, 2025, as compared to the prior year end, due to higher than originally anticipated local and intermediate sources and state program revenues. The purpose of the Debt Service Fund is to provide for the payment of bond principal and interest payments as it becomes due.

The District's other governmental funds reported combined ending fund balances of $40,278. This combined balance is $29,147 less than the previous year. The primary reason for this change in the combined fund balance was the decrease in the child nutrition fund.

Over the course of the year, the Board of Trustees generally revises the District's budget based on financial updates provided by management of the District. These amendments involve moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs, or to react to originally unforeseen circumstances, such as unanticipated new revenues or unavoidable new costs. Budget amendments considered significant occurred within the Instruction, Health Services, Student Transportation, Food Services, Extracurricular Activities, General Administration, and Facilities Acquisition & Construction function line items.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of August 31, 2025, the District had $9,285,939 (net of accumulated depreciation) invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance.

A summary of the ending balances of capital assets by major category for both 2025 and 2024 is as follows:

	Governmental Activities 2025	Governmental Activities 2024	Change
Land	$ 294,458	$ 294,458	$ -
Buildings	10,808,789	10,700,771	108,018
Furniture and Equipment	955,777	753,205	202,572
Right to Use Lease Assets	30,511	30,511	-
Total	12,089,535	11,778,945	310,590
Less Accumulated Depreciation	(2,803,596)	(2,361,277)	(442,319)
Capital Assets, Net of Depreciation	$ 9,285,939	$ 9,417,668	$ (131,729)

Debt

At year-end, the District had $6,821,055 in bonds and other long-term debt outstanding versus $6,799,062 last year. The increase is attributable to the District's acquisition of new school buses financed with a note payable. A summary of the ending balances of long-term debt by type for both 2025 and 2024 is as follows:

	Governmental Activities 2025	Governmental Activities 2024	Change
Bonds Payable	$ 6,485,000	$ 6,705,000	$ (220,000)
Notes Payable	319,569	71,751	247,818
Right to Use Lease Assets Payable	16,486	22,311	(5,825)
Total	$ 6,821,055	$ 6,799,062	$ 21,993

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal year 2025- 2026 budget and tax rates. Those factors include property values, changes in enrollment, the economy, projections of future budget years, and legislative mandates. The District has adopted a General Fund budget of $4.35 million for the 2025-2026 fiscal year. This reflects an approximate increase of $846,000 in budgeted expenditures from the fiscal year 2024-2025 originally adopted budget to fiscal year 2025-2026.

For the 2025-2026 budget year, the District has maintained its maintenance and operations tax rate at $0.6669 per hundred of taxable value. The District adopted a debt service tax rate of $0.2786 for the 2025-2026 budget year in order to fund required debt payments in the coming year. The combined tax rate of the District for the 2025-2026 budget year is $0.9455 per hundred of taxable value.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Office, at Prairie Lea Independent School District, P.O. Box 9, Prairie Lea, Texas 78661, or by calling (512) 488-2370.

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BASIC FINANCIAL STATEMENTS

PRAIRIE LEA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2025

Data Control Codes		Primary Government 1 Governmental Activities
ASSETS		
1110	Cash and Cash Equivalents	$ 1,020,446
1120	Investments - Current	23,451
1225	Property Taxes Receivable, net	487,093
1240	Due from Other Governments	307,273
	Capital Assets:	
1510	Land Purchases and Improvements	294,458
1520	Buildings and Improvements, net	8,586,636
1530	Furniture and Equipment, net	392,640
1550	Right to Use Assets, net	12,205
1000	Total Assets	11,124,202
DEFERRED OUTFLOWS OF RESOURCES		
1705	Deferred Outflows-Pension	880,813
1706	Deferred Outflows-OPEB	753,440
	Total Deferred Outflows of Resources	1,634,253
LIABILITIES		
2110	Accounts Payable	80,080
2120	Bonds and Loans Payable - Current Year	120,000
2140	Interest Payable	21,346
2150	Payroll Deductions and Withholdings	3,455
2160	Accrued Wages Payable	116,254
2177	Due to Trust and Custodial Funds	1,861
2200	Accrued Expenses	4,126
	Noncurrent Liabilities:	
2501	Due Within One Year	300,202
2502	Due in More Than One Year	6,526,347
2540	Net Pension Liability	1,372,889
2545	Other Post-Employment Benefits Liability	827,030
2000	Total Liabilities	9,373,590
DEFERRED INFLOWS OF RESOURCES		
2605	Deferred Inflows-Pension	351,092
2606	Deferred Inflows-OPEB	690,023
	Total Deferred Inflows of Resources	1,041,115
NET POSITION		
3200	Net Investment in Capital Assets	2,465,037
	Restricted for:	
3820	Federal & State Programs	38,125
3850	Debt Service	982,236
3900	Unrestricted	(1,141,648)
3000	Total Net Position	$ 2,343,750

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

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

Data Control Codes		1 Expenses	Program Revenues 3 Charges for Services	Program Revenues 4 Operating Grants and Contributions	Net (Expense) Rev. & Changes in Net Position 6 Primary Gov. Governmental Activities
Primary Government:					
	GOVERNMENTAL ACTIVITIES:				
11	Instruction	$ 2,844,437	$ -	$ 843,739	$ (2,000,698)
12	Instructional Resources & Media Services	57,067	-	151	(56,916)
13	Curriculum & Instructional Staff Development	3,758	-	-	(3,758)
23	School Leadership	267,576	-	25,512	(242,064)
31	Guidance, Counseling, & Evaluation Services	644	-	-	(644)
33	Health Services	92,363	-	6,334	(86,029)
34	Student Transportation	131,122	-	12,490	(118,632)
35	Food Services	381,006	14,840	285,408	(80,758)
36	Extracurricular Activities	267,192	14,784	12,735	(239,673)
41	General Administration	667,733	-	19,613	(648,120)
51	Facilities Maintenance and Operations	571,728	-	25,603	(546,125)
52	Security and Monitoring Services	175,472	-	268,387	92,915
53	Data Processing Services	162,909	-	39,928	(122,981)
72	Interest on Long-Term Debt	209,445	-	21,462	(187,983)
73	Bond Issuance Cost & Fees	6,661	-	-	(6,661)
93	Payments to Fiscal Agent of SSA	76,605	-	-	(76,605)
99	Other Intergovernmental Charges	6,002	-	-	(6,002)
TG	Total Governmental Activities:	5,921,720	29,624	1,561,362	(4,330,734)
TP	TOTAL PRIMARY GOVERNMENT:	$ 5,921,720	$ 29,624	$ 1,561,362	(4,330,734)
	General Revenues:				
	Taxes:				
MT	Property Taxes, Levied for General Purposes				1,710,957
DT	Property Taxes, Levied for Debt Service				716,505
SF	State Aid - Formula Grants				1,795,407
GC	Grants and Contributions, not Restricted				17,203
IE	Investment Earnings				52,311
MI	Miscellaneous				135,152
	Total General Revenues				4,427,535
CN	Change in Net Position				96,801
NB	Net Position -- Beginning (As Restated)				2,246,949
NE	Net Position -- Ending				$ 2,343,750

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

PRAIRIE LEA INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2025

Data Control Codes		10 General Fund	State-Funded Special Revenue Fund	50 Debt Service Fund
ASSETS				
1110	Cash and Cash Equivalents	$ 230,766	$ -	$ 738,566
1120	Investments - Current	23,451	-	-
1220	Property Taxes - Delinquent	431,336	-	109,882
1230	Allowance for Uncollectible Taxes (Credit)	(43,136)	-	(10,989)
1240	Due from Other Governments	69,869	228,244	-
1260	Due from Other Funds	234,936	-	144,777
1000	Total Assets	$ 947,222	$ 228,244	$ 982,236
LIABILITIES				
2110	Accounts Payable	$ 71,111	$ -	$ -
2120	Bonds and Loans Payable - Current Year	120,000	-	-
2150	Payroll Deductions and Withholdings	3,455	-	-
2160	Accrued Wages Payable	99,072	7,170	-
2170	Due to Other Funds	159,629	220,237	-
2177	Due to Trust and Custodial Funds	1,861	-	-
2200	Accrued Expenditures	2,121	837	-
2000	Total Liabilities	457,249	228,244	-
DEFERRED INFLOWS OF RESOURCES				
2600	Deferred Inflows-Unavailable Revenues	388,200	-	98,893
	Total Deferred Inflows of Resources	388,200	-	98,893
FUND BALANCES				
	Restricted for:			
3450	Federal or State Funds Restricted	-	-	-
3470	Capital Acq. and Contractual Oblig.	-	-	-
3480	Retirement of Long-Term Debt	-	-	883,343
	Committed for:			
3545	Other Committed Fund Balance	-	-	-
3600	Unassigned Fund Balance	101,773	-	-
3000	Total Fund Balances	101,773	-	883,343
4000	Total Liabilities, Deferred Inflows, and Fund Balances	$ 947,222	$ 228,244	$ 982,236

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

	98
Other Funds	Total Governmental Funds
$ 51,114	$ 1,020,446
-	23,451
-	541,218
-	(54,125)
9,160	307,273
153	379,866
$ 60,427	$ 2,218,129
$ 8,969	$ 80,080
-	120,000
-	3,455
10,012	116,254
-	379,866
-	1,861
1,168	4,126
20,149	705,642
-	487,093
-	487,093
38,125	38,125
153	153
-	883,343
2,000	2,000
-	101,773
40,278	1,025,394
$ 60,427	$ 2,218,129

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

			1
3000C1	**Total Fund Balances - Governmental Funds**		$ 1,025,394
1	Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.		
	Governmental capital assets	$ 12,089,535	
	Less accumulated depreciation	(2,803,596)	9,285,939
2	Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
	Bonds payable, including unamortized premiums	(6,485,000)	
	Notes payable	(319,569)	
	Right to use lease asset & SBITA payables	(16,486)	
	Compensated absences	(5,494)	
	Net pension liability	(1,372,889)	
	Net OPEB liability	(827,030)	(9,026,468)
3	Accrued interest on long-term debt related to governmental fund activities is not due and payable in the current period and, therefore, not reported in the governmental funds.		(21,346)
4	Deferred outflows and inflows of resources related to pensions and other post-employment benefits are applicable to future periods and, therefore, are not reported in the funds.		
	Deferred outflows of resources related to pensions	880,813	
	Deferred inflows of resources related to pensions	(351,092)	
	Deferred outflows of resources related to OPEB	753,440	
	Deferred inflows of resources related to OPEB	(690,023)	593,138
5	Property taxes are recognized as revenue in the governmental funds when collected, but recognized on the Statement of Activities in the year levied. Therefore, property taxes receivable, net of allowance for uncollectible accounts, is added to the Statement of Net Position for governmental activities.		487,093
3000A1	**Net Position of Governmental Activities**		$ 2,343,750

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

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

Data Control Codes		10 General Fund	State-Funded Special Revenue Fund	50 Debt Service Fund
REVENUES				
5700	Local and Intermediate Sources	$ 1,876,261	$ -	$ 725,358
5800	State Program Revenues	1,963,014	843,597	21,462
5900	Federal Program Revenues	1,915	-	-
5020	Total Revenues	3,841,190	843,597	746,820
EXPENDITURES				
0011	Instruction	1,731,183	541,869	-
0012	Instructional Resources & Media Services	53,385	-	-
0013	Curriculum & Instructional Staff Development	3,403	-	-
0023	School Leadership	220,537	-	-
0031	Guidance, Counseling & Evaluation Services	583	-	-
0033	Health Services	74,853	-	-
0034	Student Transportation	351,192	-	-
0035	Food Services	959	-	-
0036	Extracurricular Activities	223,939	-	-
0041	General Administration	591,748	-	-
0051	Facilities Maintenance and Operations	500,790	-	-
0052	Security and Monitoring Services	14,200	268,368	-
0053	Data Processing Services	111,947	33,360	-
0071	Debt Service - Principal	34,568	-	220,000
0072	Debt Service - Interest	20,379	-	175,512
0073	Debt Service - Bond Issuance Costs	6,461	-	200
0081	Facilities Acquisition and Construction	39,406	-	-
0093	Payments to Fiscal Agent of SSA	69,360	-	-
0099	Other Intergovernmental Charges	5,434	-	-
6030	Total Expenditures	4,054,327	843,597	395,712
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(213,137)	-	351,108
OTHER FINANCING SOURCES (USES)				
7914	Non-Current Loan Proceeds	276,561	-	-
7080	Total Other Financing Sources (Uses)	276,561	-	-
1200	Net Change in Fund Balance	63,424	-	351,108
0100	Fund Balance - Beginning, (As Previously Reported)	19,692	-	532,235
1300	Restatement (See Note 20)	18,657	-	-
0100	Fund Balance - Beginning, as Restated	38,349	-	532,235
3000	Fund Balance - Ending	$ 101,773	$ -	$ 883,343

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

	98
Other Funds	Total Governmental Funds
$ 15,175	$ 2,616,794
31,546	2,859,619
657,829	659,744
704,550	6,136,157
298,111	2,571,163
-	53,385
-	3,403
24,917	245,454
-	583
6,229	81,082
12,458	363,650
329,509	330,468
12,458	236,397
18,687	610,435
24,917	525,707
-	282,568
6,229	151,536
-	254,568
-	195,891
-	6,661
182	39,588
-	69,360
-	5,434
733,697	6,027,333
(29,147)	108,824
-	276,561
-	276,561
(29,147)	385,385
69,425	621,352
-	18,657
69,425	640,009
$ 40,278	$ 1,025,394

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

1200C3	**Total Net Change in Fund Balances – Governmental Funds**		$ 385,385
1	Governmental funds report the portion of capital outlay for capitalized assets as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense.		
	Expenditures for capitalized assets	$ 445,988	
	Less current year depreciation	(577,717)	(131,729)
2	Repayment of principal on bonds, notes, leases and SBITA is an expenditure in the governmental funds, but this expenditure is removed from the Statement of Activities and these repayments instead reduce long-term liabilities on the Statement of Net Position.		254,568
3	Issuance of long-term debt increases current financial resources to governmental funds, but this increase is not shown on the Statement of Activities and instead increases long-term liabilities on the Statement of Net Position.		(276,561)
4	The change in accrued interest due on long-term debt issued for governmental activities does not affect current financial resources and therefore is not reported in the governmental funds.		(13,554)
5	Property taxes are recognized as revenue in the governmental funds when collected but recognized on the Statement of Activities in the year levied. Therefore the uncollected amount of the current year levy is added to current year property tax revenue on the Statement of Activities.		27,755
6	Governmental funds report pension contributions as expenditures. However, pension contributions are reported as deferred outflows of resources on the Statement of Net Position if made after the net pension liability measurement date. In addition, the change in the net pension liability, adjusted for changes in deferred pension items, is reported as pension expense in the Statement of Activities.		(184,971)
7	Governmental funds report OPEB contributions as expenditures. However, OPEB contributions are reported as deferred outflows of resources on the Statement of Net Position if made after the net OPEB liability measurement date. In addition, the change in the net OPEB liability, adjusted for changes in deferred OPEB items, is reported as OPEB expense in the Statement of Activities.		37,185
8	The change in compensated absences does not affect current financial resources and therefore is not reported in the governmental funds.		(1,277)
CNB1	**Change in Net Position of Governmental Activities**		$ 96,801

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

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PRAIRIE LEA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget
	REVENUES				
5700	Local & Intermediate Sources	$ 2,075,165	$ 2,075,165	$ 1,876,261	$ (198,904)
5800	State Program Revenues	1,431,775	1,431,776	1,963,014	531,238
5900	Federal Program Revenues	-	-	1,915	1,915
5020	Total Revenues	3,506,940	3,506,941	3,841,190	334,249
	EXPENDITURES				
	Current:				
0011	Instruction	1,610,842	1,797,995	1,731,183	66,812
0012	Instructional Resources & Media Services	44,073	45,316	53,385	(8,069)
0013	Curriculum & Instructional Staff Development	5,500	5,500	3,403	2,097
0023	School Leadership	214,394	213,507	220,537	(7,030)
0031	Guidance, Counseling & Evaluation Services	2,000	2,000	583	1,417
0033	Health Services	30,000	70,954	74,853	(3,899)
0034	Student Transportation	76,875	337,994	351,192	(13,198)
0035	Food Services	86,977	1,000	959	41
0036	Extracurricular Activities	108,192	204,526	223,939	(19,413)
0041	General Administration	504,382	589,650	591,748	(2,098)
0051	Facilities Maintenance & Operations	495,494	501,087	500,790	297
0052	Security and Monitoring Services	8,400	13,315	14,200	(885)
0053	Data Processing Services	96,547	112,333	111,947	386
	Debt Service:				
0071	Principal on Long Term Debt	27,800	34,568	34,568	-
0072	Interest on Long Term Debt	3,864	20,379	20,379	-
0073	Bond Issuance Cost and Fees	-	3,283	6,461	(3,178)
	Capital Outlay:				
0081	Facilities Acquisition & Construction	120,000	11,500	39,406	(27,906)
	Intergovernmental:				
0093	Payments to Fiscal Agent of SSA	65,000	68,000	69,360	(1,360)
0099	Other Intergovernmental Charges	6,600	6,600	5,434	1,166
6030	Total Expenditures	3,506,940	4,039,507	4,054,327	(14,820)
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(532,566)	(213,137)	319,429
	OTHER FINANCING SOURCES (USES)				
7914	Non-Current Loan Proceeds	-	-	276,561	276,561
7080	Total Other Financing Sources (Uses)	-	-	276,561	276,561
1200	Net Change in Fund Balances	-	(532,566)	63,424	595,990
0100	Fund Balance-September 1 (Beginning, as Previously Reported	19,692	19,692	19,692	-
1300	Restatement (See Note 19)	18,657	18,657	18,657	-
0100	Fund Balance-September 1 (Beginning, as Restated)	38,349	38,349	38,349	-
3000	Fund Balance-August 31 (Ending)	$ 38,349	$ (494,217)	$ 101,773	$ 595,990

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

PRAIRIE LEA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2025

Data Control Codes		829 Private Purpose Trust Fund Scholarship Fund	865 Custodial Fund Student Activity Fund
ASSETS			
1110	Cash and Cash Equivalents	$ 1,844	$ 49,359
1260	Due from Other Funds	-	1,861
1000	Total Assets	1,844	51,220
LIABILITIES			
2000	Total Liabilities	-	-
NET POSITION			
	Restricted for:		
3800	Individuals and Organizations	1,844	51,220
3000	Total Net Position	$ 1,844	$ 51,220

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

PRAIRIE LEA INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes		829 Private Purpose Trust Fund Scholarship Fund	865 Custodial Fund Student Activity Fund
ADDITIONS			
	Contributions:		
5750	Fundraising Activities	$ -	$ 108,819
5020	Total Contributions	-	108,819
DEDUCTIONS			
6400	Other Operating Costs	-	119,725
6030	Total Deductions	-	119,725
1200	Net Increase/(Decrease) in Fiduciary Net Position	-	(10,906)
0100	Net Position - Beginning	1,844	62,126
3000	Net Position - Ending	$ 1,844	$ 51,220

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

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Reporting Entity

This report includes those activities, organizations and functions related to Prairie Lea Independent School District (the "District"), which are controlled by or dependent upon the District's governing body, the Board of Trustees (the "Board"). The Board, a seven member group, is the level of government having governance responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the District. Since the District receives funding from local, state, and federal government sources, it must comply with the requirements of the entities providing those funds. However, the District is not included in any other governmental "reporting entity" as defined by Statement No. 14 of the Governmental Accounting Standards Board (GASB), since Board members are elected by the public and have decision making authority. Furthermore, there are no legally separate organizations, known as "component units", included within the reporting entity.

The accounting policies of the District comply with the rules prescribed by the Texas Education Agency (TEA) in its Financial Accountability System Resource Guide (FASRG). These accounting policies conform to generally accepted accounting principles applicable to state and local governments.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. Governmental activities, which are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support. Currently however, the District has no business-type activities.

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 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 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 related cash flows. Custodial funds have no measurement focus. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided and 2) operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Major revenue sources considered susceptible to accrual include state and federal program revenues and property taxes. No accrual for property taxes collected within sixty days of year end has been made as such amounts are deemed immaterial; delinquent property taxes at year end are reported as deferred inflows of resources within the governmental fund financial statements.

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. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Major Funds and Fund Types

The District reports the following major governmental funds:

The General Fund includes financial resources that are not required to be reported separately in another fund. It is a budgeted fund, and any unrestricted fund balances are considered to be resources available for current operations.

The State-Funded Special Revenue Fund, a major special revenue fund, is used to account for funds that are received from the state and not accounted for in another fund.

The Debt Service Fund includes debt service taxes and other revenues collected to retire bond principal and to pay interest due. It is a budgeted fund.

For the year ended August 31, 2024, the District reported one additional major fund, the Capital Projects Fund. This fund is not reported as a major fund for the year ended August 31, 2025 as it did not meet the quantitative threshold.

Additionally, the District reports the following fund types:

Special Revenue Funds are governmental funds which include resources restricted, committed, or assigned for specific purposes by a grantor or the Board. Federally financed programs where unused balances are returned to the grantor at the close of specified project periods are accounted for in these funds.

Custodial Funds are fiduciary funds used to account for resources held for others in a custodial capacity. The District utilizes this fund type to account for funds held on behalf of student clubs and organizations.

Budgetary Information

Budgets are prepared annually for the General Fund, the Child Nutrition Fund, and the Debt Service Fund on the modified accrual basis, which is consistent with generally accepted accounting principles. A formal budget is prepared by the end of August and is adopted by the Board at a public meeting after public notice of the meeting has been given no earlier than the 30th day or later than the 10th day before the public hearing. The legal level of control for budgeted expenditures is the function level within the budgeted funds. Amendments to the budget are required prior to expending amounts greater than the budgeted amounts at the function level. Budgets are controlled at the departmental or campus level, the same level at which responsibility for operations is assigned. Budgetary overages were noted in the General Fund in Functions 12, 23, 33, 34, 36, 52, 71, and 81, and in the Child Nutrition Fund in Function 35.

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

Investments - The District's investment policies and types of investments are governed by Section 2256 of the Texas Government Code ("Public Funds Investment Act"). The types of investments allowed under the Public Funds Investment Act are detailed in Note 2 - Deposits and Investments. The District's management believes that it complied with the requirements of the Public Funds Investment Act and the District's investment policies. The District accrues interest on temporary investments based on the terms and effective interest rates of the specific investments. Temporary investments throughout the year consisted of investments in external investment pools, which are recognized at amortized cost, and money market accounts.

Inventories - Inventories are generally not recorded in the General Fund or Child Nutrition Fund due to amounts of expendable supplies held or purchased food not being deemed material. When inventories are recorded, they are charged to expenditures when consumed. Amounts recorded are offset by a fund balance classification titled "nonspendable" which indicates that the inventory does not represent "available expendable resources."

Capital Assets - Capital assets, which include land, buildings and improvements, construction in progress, furniture and equipment, and vehicles are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of at least $5,000 and a useful life of greater than one year. Such assets are recorded at historical cost, if purchased, or estimated fair value at the date of donation, if donated. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized. Capital assets (other than land and construction in progress) are depreciated using the straight line method over the following estimated useful lives: buildings and improvements - fifteen to thirty years, furniture and equipment - three to twenty years, and vehicles - five to ten years.

Prepaid Items - 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. Prepaid items are charged to expenditures when consumed. When prepaid items are recorded, they are charged to expenditures when the value represented by the prepaid item has been used. Amounts recorded are offset by a fund balance classification titled "nonspendable" which indicates that the prepaid item amount does not represent "available expendable resources."

Ad Valorem Property Taxes - Delinquent taxes, when received, are prorated between maintenance and debt service based on rates adopted for the year of the levy. 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.

Accumulated Sick Leave Liability - The State of Texas (the "State") has created a minimum sick leave program consisting of five days of sick leave per year with no limit on accumulation and transferability among districts for every person regularly employed in Texas public schools. Each district's local Board is required to establish a sick leave plan. Local school districts may provide additional sick leave beyond the state minimum.

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

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

Deferred Outflows and Deferred Inflows of Resources - The District complies with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent a consumption of the District's net position that is applicable to a future reporting period, and deferred inflows of resources, which represent the District's acquisition of net position applicable to a future reporting period.

The District complies with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Fund Balance/Deficit - The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

Statement of Cash Flows - For purposes of the statement of cash flows when Proprietary Funds are used, cash and cash equivalents include demand deposits.

Fair Value Measurements - The District adopted GASB Statement No. 72, *Fair Value Measurement and Application*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows on the next page.

- Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access
- Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity
- Level 3 are unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available

There are three general valuation techniques that may be used to measure fair value:

- Market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities
- Cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost)
- Income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations

Data Control Codes

The Data Control Codes shown on the financial statements refer to the account code structure prescribed by the FASRG. TEA requires school districts to display these codes in their financial statements to ensure accuracy in building a state-wide data base for policy development and funding plans.

2. DEPOSITS AND INVESTMENTS

The Public Funds Investment Act authorizes the District to invest in funds under a written investment policy, which is approved annually by the Board. The primary objectives of the District's investment strategy for operating and custodial funds, in order of priority, are safety, investment liquidity, and maturity sufficient to meet anticipated cash flow requirements. The primary objective of the District's investment strategy for Debt Service and Capital Projects Funds is sufficient investment liquidity to meet related obligations.

The District is authorized to invest in the following investment instruments provided that they meet the guidelines established in the investment policy:

- Obligations of, or guaranteed by, governmental entities
- Certificates of deposit and share certificates
- Fully collateralized repurchase agreements
- Securities lending programs
- Banker's acceptances
- Commercial paper
- No-load money market mutual funds and no-load mutual funds
- Guaranteed investment contracts as an investment vehicle for bond proceeds
- Public funds investment pools

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the School Depository Act. The depository bank deposits for safekeeping and trust with the District's agent 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 dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance. Therefore the District is not exposed to custodial credit risk.

Under the depository contract, the District, at its own discretion, may invest funds in time deposits and certificates of deposit provided by the depository bank at interest rates approximating United States Treasury Bill rates.

At August 31, 2025, the carrying amount of the District's deposits was $1,071,649 and the bank balance was $1,298,417. The District's deposits with financial institutions at August 31, 2025 and during the year ended August 31, 2025 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name. The deposits were collateralized in accordance with Texas law and the District maintains copies of all safekeeping receipts in the name of the District.

The District maintains a cash pool consisting of demand deposits. The combined pool is available for use by most Special Revenue Funds. If a fund overdraws its share of the pool, the overdraft is reported as an interfund payable in that fund. The offsetting interfund receivable is reported in the General Fund.

The following is disclosed regarding coverage of combined balances on the date of highest deposit:

a) Name of depository bank: First Lockhart National Bank, Texas
b) The amount of bond and/or security pledged as of the date of the highest combined balance on deposit was $3,500,000.
c) The largest cash, savings and time deposit combined account balance amounted to $2,710,802 and occurred during the month of February 2025.
d) Total amount of FDIC coverage at the time of highest combined balance was $250,000.

Investments held at August 31, 2025 consisted of the following:

Investment Type	Fair Value	Weighted Average Maturity (Days)	Standard & Poor's Rating
Local Government Investment Pools:			
TexPool	$ 23,451	1	AAAm
Total Investments	$ 23,451		

The District had investments in one external local governmental investment pool at August 31, 2025, consisting of the Texas Local Governmental Investment Pool ("TexPool").

TEXPOOL

TEXPOOL is a local government investment pool. It offers a safe, efficient, and liquid investment alternative to local governments in the State of Texas. The primary objectives of the pool are to preserve capital and protect principal, maintain sufficient liquidity, provide safety of funds and investments, diversify to avoid unreasonable or avoidable risks, and maximize the return on the pool. Cities, counties, school districts, institutions of higher education, special districts, and other public entities of Texas make up the investor base.

TEXPOOL was originally rated in March 1995, but effective April 2002, the Texas Comptroller of Public Accounts contracted with Federated Investors, Inc. for the day-to-day operations of TEXPOOL. Federated Investors, Inc. performs the pool's investment management and custodial functions. It also provides the marketing function, working closely with participants. Federated Securities Corp. acts as the distributor for the portfolio. Oversight of TEXPOOL continues to be provided by the Texas Comptroller, as well as the TEXPOOL advisory board. In January 1995, the advisory board adopted and implemented long-term policy changes to provide for a stable net asset value (NAV) pool, which, in effect, operates like an SEC regulated Rule 2a-7 money-market fund. These changes were made to ensure a more conservative investment strategy and to provide a much higher level of investment safety for local government funds.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At August 31, 2025, investments were included in local governmental investment pools with ratings from Standard & Poor's in compliance with the District's investment policy.

Custodial Credit Risk - Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the District, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name. At August 31, 2025, the District was not exposed to custodial credit risk.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. Information regarding investments in any one issuer that represents five percent or more of the District's total investments must be disclosed under GASB Statement No. 40, excluding investments issued or explicitly guaranteed by the U.S. government. At August 31, 2025, the District had 100% of its investments in local governmental investment pools.

Interest Rate Risk - As a means of minimizing risk of loss due to interest rate fluctuations, the District's investment policy requires that maturities will not exceed the weighted average maturity of 180 days for any internally created pool fund group and one year from the time of purchase for any other individual investment. The Board may specifically authorize a longer maturity for a given investment, within legal limits. The District considers the holdings in the local governmental investment pools to have a one day weighted average maturity due to the fact that the share position can usually be redeemed each day at the discretion of the shareholders, unless there has been a significant change in value. At August 31, 2025, investments were included in local government investment pools which have a weighted average maturity of one day.

3. PROPERTY TAXES

The Texas Legislature in 1979 adopted a comprehensive Property Tax Code (the "Code") which established a county-wide appraisal district and an appraisal review board in each county in the State. The Caldwell Central Appraisal District (the "Appraisal District") is responsible for the recording and appraisal of all property in the District. Under the Code, the school board sets the tax rates on property and the Caldwell County Tax Assessor/Collector provides tax collection services. The Appraisal District is required under the Code to assess property at 100% of its appraised value.

Further, real property must be reappraised at least every three years. Under certain circumstances, taxpayers and taxing units, including the District, may challenge orders of the Appraisal Review Board through various appeals and, if necessary, legal action.

Property taxes are levied as of 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 and penalties and interest that are ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period, including those property taxes expected to be collected during a 60 day period after the end of the District's fiscal year. The assessed value at January 1, 2024, upon which the October 2024 levy was based was $261,806,980. The District levied taxes based on a combined tax rate of $0.9455 per $100 of assessed valuation for local maintenance (general governmental services) and debt service.

4. DUE FROM/TO OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully fund certain activities. The District also receives entitlements from the State through the School Foundation and Per Capita Programs. Grants and entitlements are recorded as revenue when earned, therefore at year end amounts earned but not yet received in cash may be recorded as due from the grantor government. Amounts already received in cash but not yet earned are recorded as due to the grantor government.

A summary of amounts recorded as Due From Other Governments in the basic financial statements as of August 31, 2025 are summarized below:

Due From Other Governments:	General Fund	State-Funded Special Revenue Fund	Non-Major Governmental Funds	Total
Governmental Activities:				
Foundation & Per Capita Entitlements	$ 69,869	$ -	$ -	$ 69,869
State Grants	-	228,244		228,244
Federal Grants	-	-	9,160	9,160
Total - Governmental Activities	$ 69,869	$ 228,244	$ 9,160	$ 307,273

5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

During the course of operations, the individual funds of the District may engage in temporary borrowings of money between one another to meet liquidity needs. These interfund receivables and payables are recorded on the balance sheet of the loaning fund as "Due from Other Funds" and on the balance sheet of the borrowing fund as "Due to Other Funds". Amounts are repaid when funds are available in the borrowing fund.

Individual funds may also make payments between one another which are intended to be permanent and therefore not repaid. These transactions are recorded on the statement of revenues, expenditures, and changes in fund balance as "Transfers Out" for the paying fund and "Transfers In" for the receiving fund.

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

Receivable Fund	Payable Fund	Amount
General Fund	General Fund	$ 14,699
	Special Revenue Funds	220,237
Total General Fund		234,936
Debt Service Fund	General Fund	144,777
Total Debt Service Fund		144,777
Capital Project Fund	General Fund	153
Total Capital Project Fund		153
Trust and Custodial Funds	General Fund	1,861
Total Trust and Custodial Funds		1,861
Grand Total		$ 381,727

6. CAPITAL ASSETS

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

	Beginning Balance 9/1/24	Additions	Retirements	Ending Balance 8/31/25
Governmental Activities:				
Capital Assets, not Being Depreciated:				
Land	$ 294,458	$ -	$ -	$ 294,458
Total Capital Assets, not Being Depreciated	294,458	-	-	294,458
Capital Assets, Being Depreciated:				
Buildings and Improvements	10,700,771	175,988	(67,970)	10,808,789
Furniture and Equipment	753,205	270,000	(67,428)	955,777
Right to Use Lease Assets	30,511	-	-	30,511
Total Capital Assets, Being Depreciated	11,484,487	445,988	(135,398)	11,795,077
Less Accumulated Depreciation for:				
Buildings and Improvements	(1,781,672)	(508,451)	67,970	(2,222,153)
Furniture and Equipment	(567,401)	(63,164)	67,428	(563,137)
Right to Use Lease Assets	(12,204)	(6,102)	-	(18,306)
Total Accumulated Depreciation	(2,361,277)	(577,717)	135,398	(2,803,596)
Governmental Activities Capital Assets, Net	$ 9,417,668	$ (131,729)	$ -	$ 9,285,939

Depreciation expense was charged to the functions of the District as follows:

Function	Depreciation Allocation
Instruction	$ 268,578
Instructional Resources & Media Services	5,576
Curriculum & Instructional Staff Development	355
School Leadership	25,640
Guidance, Counseling & Evaluation Services	61
Health Services	8,470
Student Transportation	37,986
Food Services	34,520
Extracurricular Activities	24,694
General Administration	63,765
Facilities Maintenance and Operations	54,914
Security and Monitoring Services	29,516
Data Processing Services	15,829
Payments to Fiscal Agent of SSA	7,245
Other Intergovernmental Charges	568
Totals	$ 577,717

7. BONDS, NOTES, AND OTHER LONG-TERM LIABILITIES

Governmental activities long-term debt obligations at August 31, 2025 consisted of the following:

General Long-Term Debt Description	Outstanding at August 31, 2025
Bonds Payable	
$7,295,000 Series 2021 Unlimited Tax School Building Bonds due in annual installments of $220,000 to $385,000 through August 15, 2046; interest at 2.0% to 4.0%.	$ 6,485,000
Notes Payable	
$59,228 Vehicle Installment Loan for a 2020 Ford Transit Van, financed through First Lockhart National Bank, due in monthly installments of $1,346 through November 2026; interest at 5.25%.	19,614
$55,501 Vehicle Installment Loan for a 2019 Ford Transit Van, financed through First Lockhart National Bank, due in monthly installments of $1,287 through March 2027; interest at 4.25%.	23,394
$276,561 Note Payable for three 2019 Blue Bird Buses through Government Capital Corporation, due in annual installments of $48,842 through October 2031; interest rate 5.62%.	276,561
Right to Use Lease Assets Payable	
$30,511 Right To Use Lease Asset Payable for copiers, financed through Konica Minolta for a 60-month term, due in monthly installments of $636 through January 2028; interest at 3.50%.	16,486
Total General Long-Term Debt	$ 6,821,055

The following is a summary of changes in long-term liabilities for the year ended August 31, 2025:

Type	(As Restated) Outstanding 9/1/24	Additions	Deletions	Outstanding 8/31/25	Due in One Year
Bonds Payable:					
General Obligation & Refunding Bonds	$ 6,705,000	$ -	$ (220,000)	$ 6,485,000	$ 230,000
Total Bonds Payable	6,705,000	-	(220,000)	6,485,000	230,000
Other Long-Term Liabilities:					
Notes Payable	71,751	276,561	(28,743)	319,569	63,662
Right to Use Lease Assets Payable	22,311	-	(5,825)	16,486	6,383
Compensated Absences*	4,217	1,277	-	5,494	157
Total Other Long-Term Liabilities	98,279	277,838	(34,568)	341,549	70,202
Total Governmental Activities	$ 6,803,279	$ 277,838	$ (254,568)	$ 6,826,549	$ 300,202

* The change in compensated absences liability is presented as a net change.

For the general obligation bonds, the District has pledged as collateral the proceeds of a continuing, direct annual tax levied against taxable property within the District. The Texas Education Code generally limits issuance of additional ad valorem tax bonds if the tax rate needed to pay aggregate principal and interest amounts of the District's tax bond indebtedness would exceed $0.50 per $100 of assessed valuation of taxable property within the District.

Annual principal installments for outstanding bonds vary each year. The debt service requirements to maturity for general obligation bonds as of August 31, 2025 are as follows:

Year Ended August 31,	Bonds Payable		Total Requirements
	Principal	Interest	
2026	$ 230,000	$ 166,513	$ 396,513
2027	235,000	157,313	392,313
2028	245,000	147,913	392,913
2029	255,000	138,113	393,113
2030	265,000	127,913	392,913
2031-2035	1,440,000	528,313	1,968,313
2036-2040	1,625,000	344,063	1,969,063
2041-2045	1,805,000	165,975	1,970,975
2046	385,000	8,663	393,663
Total	$ 6,485,000	$ 1,784,775	$ 8,269,775

The debt service requirements for notes payable as of August 31, 2025 are as follows:

Year Ended August 31,	Notes Payable Principal	Notes Payable Interest	Total Requirements
2026	$ 63,662	$ 16,822	$ 80,484
2027	48,034	13,871	61,905
2028	37,155	11,687	48,842
2029	39,244	9,598	48,842
2030	41,451	7,391	48,842
2031-2032	90,023	7,661	97,684
Total	$ 319,569	$ 67,030	$ 386,599

8. RIGHT TO USE LEASE ASSETS

Leases are defined by the general government as the right to use an underlying asset. As lessee, the District recognizes a lease liability and an intangible right-of-use lease asset at the beginning of a lease unless the lease is considered a short-term lease or transfers ownership of the underlying asset. Right-of-use lease assets are measured based on the net present value of the future lease payments at inception, using the weighted average cost of capital, which approximate the incremental borrowing rate. Remeasurement of a lease liability occurs when there is a change in the lease term and/or other changes that are likely to have a significant impact on the lease liability.

The District calculates the amortization of the discount on the lease liability and reports that amount as outflows of resources. Payments are allocated first to accrued interest liability and then to the lease liability. Variable lease payments based on the usage of the underlying assets are not included in the lease liability calculations but are recognized as outflows of resources in the period in which the obligation was incurred.

The debt service requirements for right to use lease assets payable as of August 31, 2025 are as follows:

Year Ended August 31,	Right to Use Lease Assets Payable Principal	Right to Use Lease Assets Payable Interest	Total Requirements
2026	$ 6,383	$ 1,249	$ 7,632
2027	6,994	638	7,632
2028	3,109	72	3,181
Total	$ 16,486	$ 1,959	$ 18,445

9. COMPENSATED ABSENCES

A. General Information

The District has a compensated absences policy that awards 5 state days and 5 local days to each applicable full-time employee annually at the beginning of each fiscal year. Only state days are accrued beyond the fiscal year in which they are awarded and can be used by employees in future years. There is no limit to the amount of state days that an employee can accrue.

B. Accrued Compensated Absences

The District's Compensated Absences Liability represents only days that accumulate beyond one fiscal year, are for services already rendered, and are considered more likely than not to be utilized or paid in cash. The District has recorded a restatement for the year ended August 31, 2024 to recognize a beginning balance of $4,217 related to compensated absences and reported an ending liability balance of $5,494 for the year ended August 31, 2025. Of this ending balance, the District considers $157 to be due within 1 year. For more information regarding the District's restatement, see Note 20 to the financial statements of this report. For more information regarding the District's Compensated Absences Liability balances for the years ending August 31, 2024 and August 31, 2025 and the changes therein, see Note 7 to the financial statements of this report.

C. Changes in Liabilities

There were no significant changes to the District's policies or rates of usage for the year ended August 31, 2025.

D. Methods and Assumptions

The District determines the Compensated Absences Liability by calculating each employees accrued days as of the balance sheet date and multiplying those days by the employee's daily rate. Based on District policy, the District then subcategorizes those extended costs to those which are eligible for cash payment and those which are not as of the balance sheet date. Extended costs not eligible for cash payment as of the balance sheet date are then analyzed for long-term usage rates based on the best available historical data. The District applies a First-in, First-Out (FIFO) flow assumption as it relates to compensated absences. Once a usage rate is calculated, a percentage of days that are awarded and subsequently go entirely unused is estimated and applied against the gross Compensated Absences Liability to calculate a net Compensated Absences Liability. The District then analyzes the best available historical data to estimate near-term usage rates in order to determine the estimated current portion of the liability.

E. Expense Recognition

The changes in the Compensated Absences Liability in a fiscal year is recognized as expense and reported as an adjustment in accordance with Governmental Accounting Standards Board Statement No. 101 – Compensated Absences. This adjustment represents the net change which includes additions and deletions to the District's Compensated Absences Liability. Additions include state days awarded to existing employees annually as well as previously accrued state days that follow new employees to the District which were originally awarded at other Texas independent school districts. Deletions to the Compensated Absences Liability include days that are used during the fiscal year.

10. TEACHER RETIREMENT SYSTEM OF TEXAS PENSION PLAN

A. Pension Plan Description

The Teacher Retirement System of Texas (TRS or System or Plan) is a public employee retirement system (PERS) that is a multiple-employer, cost-sharing, defined benefit pension plan with a special funding situation. The Plan is administered by the Board of Trustees of TRS. Information regarding the Board of TRS and its composition can be found within the separately issued TRS Annual Comprehensive Financial Report. That report may be obtained online at www.trs.texas.gov; by writing to TRS at 1000 Red River Street, Austin, Texas, 78701-2698; or by calling (512) 542-6592.

Benefits are established or amended under the authority of the Texas Constitution, Article XVI, Section 67 and by the Legislature in the Texas Government Code, Title 8, Subtitle C. The Board of Trustees does not have the authority to establish or amend benefits.

B. Benefits Provided

TRS provides retirement, disability, and death benefits. Membership in the Plan includes 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 exempt from membership under Texas Government Code, Title 8, Section 822.002.

State law requires the plan to be actuarially sound in order for the legislature to consider a benefit enhancement, such as a supplemental payment to retirees. The pension became actuarially sound in May 2019 when the 86th Texas legislature approved the TRS Pension Reform Bill (SB12) that provided gradual contribution increases from the state, participating employers, and active employees for the fiscal years 2019 through 2024. In addition, 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.
- 6% COLA for eligible retirees who retired on or before August 31, 2001.

C. Contributors to the Plan

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

The number of participating employers during fiscal year 2024 are disclosed in the following table.

Participating Employers	
Independent School Districts	1,020
Charter Schools (open enrollment only)	199
Community and Junior Colleges	50
Senior Colleges and Universities	48
Regional Service Centers	20
Medical Schools	9
Educational Districts	2
State Agency	1
Total	1,349

Plan membership as of August 31, 2023 is shown in the following table. Because the actuarial valuation was based on a roll forward from fiscal year 2023 (see Section F), the Plan membership counts are as of August 31, 2023.

Pension Plan Membership	
Inactive plan members or beneficiaries currently receiving benefits	489,921
Inactive plan members entitled to but not yet receiving benefits	558,758
Active plan members	953,295
	2,001,974

The Average Expected Remaining Service Life (AERSL) of 5.6451 years is based on membership information as of the beginning of the fiscal year.

D. Contributions

Contribution requirements are established or amended pursuant to the following state laws:

- Article 16, Section 67 of the Texas Constitution requires the legislature to establish a member contribution rate of not less than 6 percent of the member's annual compensation and a state contribution rate of not less than 6 percent and not more than 10 percent of the aggregate annual compensation paid to members of the System during the fiscal year.

- Government Code section 821.006 prohibits benefit improvements if it increases the amortization period of TRS' unfunded actuarial liability to greater than 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.

As the non-employer contributing entity, the State of Texas contributes to the retirement system the current employer contribution rate times the aggregate annual compensation of all members of the Plan during the fiscal year, reduced by the employer contributions described below.

All participating employers and the State of Texas, as the employer for senior colleges, universities, and medical schools, are required to pay the employer contribution rate in the following situations:

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

Contribution rates and amounts for active employees, participating employers, and the State of Texas for the current and prior fiscal year are shown below:

Contribution Rates	2024	2025
Members	8.25%	8.25%
Employer	8.25%	8.25%
State of Texas (NECE)	8.25%	8.25%
Contribution Amounts		
Members	$ 204,316	$ 189,767
Employer	125,936	99,886
State of Texas (NECE)	108,588	129,471

Employers are also required to pay surcharges in the following cases:

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

E. Net Pension Liability

Components of the Net Pension Liability of the Plan as of August 31, 2024 are disclosed below:

Components of Pension Liability	Total
Total Pension Liability	$ 271,627,434,294
Less: Plan Fiduciary Net Position	(210,543,258,495)
Net Pension Liability	$ 61,084,175,799
Net Position as Percentage of Total Pension Liability	77.51%

F. Actuarial Methods and Assumptions

Roll Forward

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

The total pension liability is determined by an annual actuarial valuation. The actuarial methods and assumptions were selected by the Board of Trustees based upon analysis and recommendations by the System's actuary. The Board of Trustees has sole authority to determine the actuarial assumptions used for the Plan.

The actuarial methods and assumptions were primarily based on a study of actual experience for the four-year period ending August 31, 2021 and were adopted in July 2022.

The post-retirement mortality rates for healthy lives were based on the 2021 TRS of Texas Healthy Pensioners Mortality Tables, with full generational projection using the ultimate improvement rates from the most recently published projection scale ("U-MP"). The active mortality rates were based on the published PUB(2010) Mortality Tables for Teachers, below median, also with full generational mortality.

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

Asset Class	Target Allocation %**	Long-Term Expected Geometric Real Rate of Return*	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.0%	4.4%	1.0%
Non-U.S. Developed	13.0%	4.2%	0.8%
Emerging Markets	9.0%	5.2%	0.7%
Private Equity*	14.0%	6.7%	1.2%
Stable Value			
Government Bonds	16.0%	1.9%	0.4%
Stable Value Hedge Funds	5.0%	3.0%	0.2%
Absolute Return*	0.0%	4.0%	0.0%
Real Return			
Real Estate	15.0%	6.6%	1.2%
Energy, Natural Resources and Infrastructure	6.0%	5.6%	0.4%
Commodities	0.0%	2.5%	0.0%
Risk Parity	8.0%	4.0%	0.4%
Asset Allocation Leverage			
Cash	2.0%	1.0%	0.0%
Asset Allocation Leverage	-6.0%	1.3%	-0.1%
Inflation Expectation			2.4%
Volatility Drag****			-0.7%
Expected Return	100.0%		7.9%

*Absolute Return includes Credit Sensitive Investments.
**Target allocations are based on the FY2024 policy model.
***Capital Market Assumptions (CMA) come from 2024 SAA Study CMA Survey (as of 12/31/2023)
****The volatility drag results from the conversion between arithmetic and geometric mean returns.

The following table discloses the assumptions that were applied to this measurement period.

Actuarial Methods and 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	7.00%
Municipal Bond Rate as of August 2024	3.87% - The source for the rate is the Bond Buyers 20 Index which represents the estimated yield of a portfolio of 20 general obligation bonds maturing in 20 years based on a survey of municipal bond traders.
Last year ending August 31 in Projection Period (100 years)	2123
Inflation	2.30%
Salary Increases	2.95% to 8.95% including inflation
Ad hoc post-employment benefit changes	None

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

Discount Rate

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

Based on 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.

G. Change of Assumptions Since the Prior Measurement Date

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

H. Changes in Benefit Provisions Since Prior Measurement Date

The 2023 Texas Legislature passed Senate Bill 10 (SB 10), which provided a stipend payment to certain retirees and variable ad hoc cost-of-living adjustments (COLA) to certain retirees in early fiscal year 2024. Due to its timing, the legislation and payments were not reflected in the August 31, 2023 actuarial valuation. Under the roll forward method, an adjustment was made to reflect the legislation in the rolled forward liabilities for the current measurement year, August 31, 2024. SB 10 and House Joint Resolution 2 (HJR 2) of the 88th Regular Legislative Session appropriated payments of $1.645 billion for one-time stipends and $3.355 billion for COLAs.

This appropriation is treated as a supplemental contribution and included in other additions. Since the Legislature appropriated funds for this one-time stipend and COLA, there was no impact on the Net Pension Liability of TRS.

I. Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption

The following table presents the net pension liability of the plan using the discount rate of 7.00 percent, and what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current rate.

Sensitivity of the Net Pension Liability to the Single Discount Rate Assumption			
	1% Decrease 6.00%	Current Single Discount Rate 7.00%	1% Increase 8.00%
District's Proportionate Share of the Net Pension Liability:	$ 2,192,852	$ 1,372,889	$ 693,492

J. District Net Pension Liabilities, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, and Pension Expense

The Net Pension Liability of the Plan as a whole was last measured as of August 31, 2024 and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. The District was assigned a proportion of the Plan's Net Pension Liability based on the District's contributions to the Plan relative to the contributions of all employers for the period September 1, 2023 through August 31, 2024.

The table below presents a two-year comparison of the District's assigned proportion and resulting proportionate share of the collective Net Pension Liability, as well as the State's proportionate share of the Net Pension Liability associated with the District.

	Measurement Date 8/31/23	8/31/24	Change
District's Proportion of the Collective Net Pension Liability	0.000020470159	0.000022475366	0.000002005207
District's Proportionate Share of the Net Pension Liability	$ 1,406,102	$ 1,372,889	$ (33,213)
State's Proportionate Share of the Net Pension Liability Associated with the District	1,321,950	1,184,968	(136,982)
Total Pension Liability	$ 2,728,052	$ 2,557,857	$ (170,195)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 75,672	$ 10,719
Changes in actuarial assumptions	70,885	9,503
Difference between projected and actual investment earnings	329,641	321,295
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	304,729	9,575
Contributions paid to TRS subsequent to the measurement date	99,886	-
Total	$ 880,813	$ 351,092

The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions (not including the deferred contribution paid subsequent to the measurement date) will be recognized in pension expense as follows:

Measurement Year Ended August 31,	Pension Expense Amount
2025	$ 90,209
2026	232,342
2027	87,579
2028	3,126
2029	16,579
Thereafter	-

For the year ended August 31, 2025, Prairie Lea Independent School District recognized pension expense of $184,971 and revenue of 141,623 for support provided by the State.

11. EMPLOYEE HEALTH CARE COVERAGE

During the year ended August 31, 2025, employees of the District were covered by the state-wide health insurance plan, TRS Active Care. The District contributed from $395 to $1,048 per month per employee to the Plan, the State provided an additional $75 per month per employee, and employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. TRS manages TRS Active Care. The Plan is administered by Blue Cross Blue Shield of Texas while Express Scripts was assigned the prescription drug plan.

12. OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLAN – TRS-CARE

A. Plan Description

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

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

B. Benefits Provided

TRS-Care provides health insurance coverage to retirees from public schools, charter schools, regional service centers, and other educational districts who are members of the TRS pension system. Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. TRS-Care Standard includes medical and prescription drug benefits. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system.

The General Appropriations Act passed by the 88th Legislature included funding to maintain TRS-Care premiums at their current level through 2025. Also, the 86th Legislature passed Senate Bill 1682 which requires TRS to establish a contingency reserve in the TRS-Care fund equal to 60 days of expenditures. This amount is estimated at $353,400,000 as of August 31, 2024.

C. Contributors to TRS-Care

Contributors to the plan include active and retired members, employers, and the State of Texas as the only non-employer contributing entity.

During fiscal year 2024, the number of participating employers are presented in the following table.

Participating Employers	
Independent School Districts	1,019
Open Enrollment Charter Schools	199
Regional Service Centers	20
Other Educational Districts	2
Total	1,240

TRS-Care plan membership as of August 31, 2023 is shown in the following table. Because the actuarial valuation was based on a roll-forward (See Section F), the counts are as of that date.

TRS-Care Plan Membership	
Active plan members	773,168
Inactive plan members currently receiving benefits	186,935
Inactive plan members entitled to but not yet receiving benefits	15,276
Total	975,379

The Average Expected Remaining Service Life (AERSL) of 9.4212 years is based on the membership information as of the beginning of the fiscal year.

D. Contributions

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

At the inception of the plan, funding was projected to last 10 years through fiscal year 1995. The original funding was sufficient to maintain the solvency of the fund through fiscal year 2000. Since that time, appropriations and contributions have been established to fund the benefits for each successive biennium.

Section 1575.202 of the Texas Insurance Code establishes the State's contribution rate which is 1.25 percent of the employee's salary. Section 1575.203 establishes the active employee rate which is 0.65 percent of salary. Section 1575.204 establishes a public school contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the employer. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act, which is 0.75 percent 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
Members	0.65%	0.65%
Employer	0.75%	0.75%
State of Texas	1.25%	1.25%
Federal/Private Funding*	1.25%	1.25%
Contribution Amounts		
Members	$ 16,097	$ 14,952
Employer	24,751	20,411
State of Texas (NECE)	19,163	22,848

* Contributions paid from federal funds and private grants are remitted by the employer and paid at the State rate.

All employers whose employees are covered by the TRS pension plan are also required to pay a surcharge of $535 per month when employing a retiree of TRS. The TRS-Care surcharges for fiscal year 2024 totaled $16,318,100.

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

E. Net OPEB Liability

Components of the Net OPEB Liability of the TRS-Care plan as of August 31, 2024 are disclosed in the following table.

Components of OPEB Liability	Total
Total OPEB Liability	$ 35,168,178,563
Less: Plan Fiduciary Net Position	(4,816,646,311)
Net OPEB Liability	$ 30,351,532,252
Net Position as a Percentage of Total OPEB Liability	13.70%

The Net OPEB Liability increased by $8.21 billion, from $22.1 billion as of August 31, 2023, to $30.4 billion as of August 31, 2024. The increase was primarily due to lowering the Medicare retiree premiums effective January 1 2025, and declines in the discount rate

F. Actuarial Methods and Assumptions

Roll Forward

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

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex.

Demographic Assumptions

The rates of mortality, retirement, termination and disability incidence are identical to the assumptions used to value the pension liabilities of the Teacher Retirement System of Texas (TRS). The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2021.

Mortality Assumptions

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.

Election Rates

Normal Retirement - 62 percent participation rate prior to age 65 and 25 percent participation rate after age 65. Pre-65 retirees - 30 percent of pre-65 retirees are assumed to discontinue coverage at age 65.

Health Care Trend Rates

The initial medical trend rate was 6.75 percent for non-Medicare retirees. For Medicare retirees, trend rates are higher in the first two years due to anticipated growth but thereafter match those of non-Medicare retirees. The initial prescription drug trend rate was 7.25 percent for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25 percent over a period of 11 years.

Actuarial Methods and Assumptions

Valuation Date	August 31, 2023, rolled forward to August 31, 2024
Actuarial Cost Method	Individual Entry-Age Normal
Inflation	2.30%
Single Discount Rate	3.87% as of August 31, 2024
Aging Factors	Based on the Society of Actuaries' 2013 Study “Health Care Costs - From Birth to Death.”
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Salary Increases	2.95% to 8.95%, including inflation
Ad Hoc Post-Employment Benefit Changes	None

Discount Rate

A single discount rate of 3.87 percent was used to measure the total OPEB liability. This was a decrease of 0.26 percent in the discount rate since the previous year. Since the plan is a pay-as-you-go plan, the single discount rate is equal to the prevailing municipal bond rate.

G. Change of Assumptions Since the Prior Measurement Date

The single discount rate changed from 4.13 percent as of August 31, 2023, to 3.87 percent as of August 31, 2024. Additionally, the tables used to model the impact of aging on the underlying claims were revised.

H. Sensitivity of the Net OPEB Liability to the Single Discount Rate Assumption

The following presents the Net OPEB Liability of the plan using the discount rate for 20-year, tax-exempt general obligation municipal bonds with an average AA credit rating, as well as what the Net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower, 2.87 percent, or one percentage point higher, 4.87 percent, than the AA credit rate. The source for the rate is the Fixed Income Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in the Bond Buyer's "20-Bond GO Index", as of August 31, 2024.

Sensitivity of the Net OPEB Liability to the Single Discount Rate Assumption			
	1% Decrease 2.87%	Current Single Discount Rate 3.87%	1% Increase 4.87%
District's Proportionate Share of the Net OPEB Liability	$ 982,550	$ 827,030	$ 701,367

I. Sensitivity of the Net OPEB Liability to the Healthcare Cost Trend Rate Assumptions

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 percent lower or one percent higher than the assumed healthcare cost trend rate.

Sensitivity of the Net OPEB Liability to the Healthcare Cost Trend Rate Assumption			
	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's Proportionate Share of the Net OPEB Liability	$ 673,493	$ 827,030	$ 1,027,104

J. District Net OPEB Liabilities, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB, and OPEB Expense

The Net OPEB Liability of the TRS-Care program as a whole was last measured as of August 31, 2024 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District was assigned a proportion of TRS Care’s Net OPEB Liability based on the District’s contributions to the program relative to the contributions of all employers for the period September 1, 2023 through August 31, 2024.

The table below presents a two-year comparison of the District's assigned proportion and resulting proportionate share of the collective Net OPEB Liability, as well as the State's proportionate share of the Net OPEB Liability associated with the District.

	Measurement Date		
	8/31/23	8/31/24	Change
District's Proportion of the Collective Net OPEB Liability	0.000024860666	0.000027248376	0.000002387710
District's Proportionate Share of the Net OPEB Liability	$ 550,373	$ 827,030	$ 276,657
State's Proportionate Share of the Net OPEB Liability Associated with the District	664,110	1,036,257	372,147
Total OPEB Liability	$ 1,214,483	$ 1,863,287	$ 648,804

At August 31, 2025, Prairie Lea Independent School District reported its proportionate share of TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 158,514	$ 412,733
Changes in actuarial assumptions	105,850	269,850
Difference between projected and actual investment earnings	793	3,109
Change in proportion and difference between the employer's contributions and the proportionate share of contributions	467,872	4,331
Contributions paid to TRS subsequent to the measurement date	20,411	-
Total	$ 753,440	$ 690,023

The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB (not including the deferred contribution paid subsequent to the measurement date) will be recognized in OPEB expense as follows:

Measurement Year Ended August 31,	OPEB Expense Amount
2025	$ (38,300)
2026	(842)
2027	(22,896)
2028	(11,085)
2029	22,686
Thereafter	93,443

For the year ended August 31, 2025, Prairie Lea Independent School District recognized OPEB expense of ($37,185) and revenue of ($134,695) for support provided by the State.

13. FRINGE BENEFITS PAID BY OTHER GOVERNMENTS

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 receives retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended August 31, 2025 and August 31, 2024, the subsidy payments received by TRS-Care on behalf of the District were $16,744 and $13,127, respectively.

14. FUND BALANCES

The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Those fund balance classifications are below.

Nonspendable - Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes pursuant to approval by formal action by the Board.

Assigned - For the General Fund, the Board, or an official or body that has been delegated authority by the Board, may appropriate amounts that are to be used for a specific purpose. For all other governmental funds, any remaining positive amounts not previously classified as nonspendable, restricted or committed.

Unassigned - Amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

A detail of the fund balance amounts within each category is included on the governmental funds balance sheet.

Fund balance of the District may be committed for a specific purpose by formal action of the Board, the District's highest level of decision-making authority. Commitments may be established, modified, or rescinded only through a resolution approved by the Board. The Board has delegated authority to the Superintendent to assign fund balance for a specific purpose. In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance.

15. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES

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

Type	General Fund	Debt Service Fund	Non-Major Governmental Funds	Custodial Funds	Total
Property Taxes	$ 1,698,988	$ 700,719	$ -	$ -	$ 2,399,707
Investment Income	27,337	24,639	335	-	52,311
Gifts	93,383	-	-	-	93,383
Food Sales	-	-	14,840	-	14,840
Athletics	14,784	-	-	-	14,784
Enterprising Revenues	-	-	-	108,819	108,819
Miscellaneous Local Revenue	41,769	-	-	-	41,769
Total	$ 1,876,261	$ 725,358	$ 15,175	$ 108,819	$ 2,725,613

16. RISK MANAGEMENT

The District's risk management program includes coverages through third party insurance providers for property, automobile liability, school professional liability, crime, workers' compensation, and other miscellaneous bonds. During the year ended August 31, 2025, there were no significant reductions in insurance coverage from coverage in the prior year. Losses in excess of the various deductible levels are covered through traditional indemnity coverage for buildings and contents, and vehicle liability with various insurance firms. Settled claims have not exceeded insurance limits for the past three years.

17. COMMITMENTS AND CONTINGENCIES

The District participates in a number of federal financial assistance programs. Although the District's grant programs have been audited in accordance with the provisions of *Government Auditing Standards* and when applicable, the Uniform Guidance, for the year ended August 31, 2025, these programs are subject to financial and compliance audits performed by the specific grantors. These audits, if performed, could result in amounts of expenditures being disallowed by the granting agencies and subject to repayment. The District however expects that such amounts, if any, would be immaterial.

18. UNEMPLOYMENT COMPENSATION POOL

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

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore there is no need for specific or aggregate stop loss coverage for the Unemployment Compensation pool. For the year ended August 31, 2025, the Fund anticipates that Prairie Lea Independent School District has no additional liability beyond the contractual obligation for payment of contribution. The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2024, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

19. DISCLOSURE OF ACCOUNTING CHANGES AND ERROR CORRECTIONS

GASB 100 defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

For the year ended August 31, 2025, the District's Capital Projects Fund did not meet the major fund quantitative threshold to be considered a major fund. The Capital Projects Fund ended the year August 31, 2024 with $-0- fund balance and the change had no corresponding effect on beginning non-major governmental fund balance.

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During the year, the District removed several outstanding checks from previous periods that were still being carried on the District's books. The correction resulted in a restatement of fund balance within the General Fund. The corresponding effect on the beginning General Fund balance is shown in the following table:

	General Fund
Fund balance as previously stated at August 31, 2024	$ 19,692
Effect of removal of outstanding checks from prior periods	18,657
Fund balance as restated at August 31, 2024	$ 38,349

The correction also resulted in a restatement of beginning net position that is shown in Note 20 below.

20. IMPLEMENTATION OF NEW GOVERNMENTAL ACCOUNTING PRONOUNCEMENTS

Governmental Accounting Standards Board Statement No. 101 – Compensated Absences (GASB 101) provides guidance on the accounting and financial reporting for Compensated Absences for governments. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means.

In the year of implementation, GASB 101 requires a retroactive restatement of prior periods to reflect the effect on net position as if the standard had been in effect in prior years. In accordance with Governmental Accounting Board Statement No. 100 – Accounting Changes and Error Corrections ("GASB 100"), this restatement is the result of a change in accounting principle. The effect on beginning net position resulting from both GASB 101 compensated absences recognition and the correction of prior period outstanding checks discussed at Note 19 and as shown within these financial statements is as follows:

	Governmental Activities
Net position as previously stated at August 31, 2024	$ 2,232,509
Effect of Implementation of GASB 101, Compensated Absences Liability	(4,217)
Effect of removal of outstanding checks from prior periods	18,657
Net Position as restated at August 31, 2024	$ 2,246,949

For the year ended August 31, 2025, the total liability for compensated absences was $5,494 as disclosed in Note 7 of this report.

Governmental Accounting Standards Board Statement No. 102 – Certain Risk Disclosures (GASB 102). This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

For the year ended August 31, 2025, no concentration or constraints were required to be disclosed by the District.

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REQUIRED SUPPLEMENTARY INFORMATION

PRAIRIE LEA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
TEACHER RETIREMENT SYSTEM
FOR THE YEAR ENDED AUGUST 31, 2025

	Measurement Year			
	2024	2023	2022	2021
District's Proportion of the Net Pension Liability	0.0022475366%	0.0020470159%	0.0016796591%	0.0012613529%
District's Proportionate Share of the Net Pension Liability	$ 1,372,889	$ 1,406,102	$ 997,170	$ 321,222
State's Proportionate Share of the District Net Pension Liability	1,184,968	1,321,950	1,198,556	510,275
Total Pension Liability	$ 2,557,857	$ 2,728,052	$ 2,195,726	$ 831,497
District's Covered-Employee Payroll	$ 2,476,561	$ 2,203,014	$ 1,963,184	$ 1,569,157
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	55.44%	63.83%	50.79%	20.47%
Plan Fiduciary Net Position as a Percentage of the Total Net Pension Liability	77.51%	73.15%	75.62%	88.79%

The amounts presented are determined as of the Plan's measurement year which was as of August 31 in each prior calendar year from the District's fiscal year end.

This schedule reflects ten years of data as required by GASB 68.

Measurement Year					
2020	2019	2018	2017	2016	2015
0.0011418005%	0.0012484713%	0.0010939379%	0.0010175393%	0.0009874882%	0.0011160000%
$ 611,525	$ 648,994	$ 602,130	$ 325,354	$ 373,157	$ 394,491
1,137,278	1,011,112	1,136,019	618,957	747,705	743,921
$ 1,748,803	$ 1,660,106	$ 1,738,149	$ 944,311	$ 1,120,862	$ 1,138,412
$ 1,538,799	$ 1,408,550	$ 1,329,557	$ 1,189,994	$ 1,149,872	$ 1,171,705
39.74%	46.08%	45.29%	27.34%	32.45%	33.67%
75.54%	75.24%	73.74%	82.17%	78.00%	78.43%

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

	Fiscal Year			
	2025	2024	2023	2022
Contractually Required Contribution	$ 99,886	$ 125,936	$ 101,367	$ 74,997
Contribution in Relation to the Contractually Required Contribution	(99,886)	(125,936)	(101,367)	(74,997)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
District's Covered-Employee Payroll	$ 2,300,207	$ 2,476,561	$ 2,203,014	$ 1,963,184
Contributions as a Percentage of Covered-Employee Payroll	4.34%	5.09%	4.60%	3.82%

The amounts presented are as of the District’s fiscal year end of August 31.

This schedule reflects ten years of data as required by GASB 68.

Fiscal Year						
2021	2020	2019	2018	2017	2016
$ 48,013	$ 44,624	$ 40,854	$ 34,075	$ 47,824	$ 28,590
(48,013)	(44,624)	(40,854)	(34,075)	(47,824)	(28,590)
$ -	$ -	$ -	$ -	$ -	$ -
$ 1,569,157	$ 1,538,799	$ 1,408,550	$ 1,329,557	$ 1,189,994	$ 1,149,872
3.06%	2.90%	2.90%	2.56%	4.02%	2.49%

PRAIRIE LEA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY –
TEXAS PUBLIC SCHOOL RETIRED EMPLOYEES GROUP INSURANCE PLAN
FOR THE YEAR ENDED AUGUST 31, 2025

	Measurement Year			
	2024	2023	2022	2021
District's Proportion of the Net Liability for Other Post Employment Benefits	0.0027248376%	0.0024860666%	0.0024589061%	0.0018325017%
District's Proportionate Share of the Net Post Employment Benefit Liability	$ 827,030	$ 550,373	$ 588,761	$ 706,878
State's Proportionate Share of the Net Post Employment Benefit Liability Associated with the District	1,036,257	664,110	718,195	947,059
Total Other Post Employment Benefits Liability	$ 1,863,287	$ 1,214,483	$ 1,306,956	$ 1,653,937
District's Covered Payroll	$ 2,476,561	$ 2,203,014	$ 1,963,184	$ 1,569,157
District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	33.39%	24.98%	29.99%	45.05%
Plan Fiduciary Net Position as a Percentage of the Total Net OPEB Liability	13.70%	14.94%	11.52%	6.18%

The amounts presented are determined as of the Plan's measurement year which was as of August 31 in each prior calendar year from the District's fiscal year end.

This schedule reflects the available years of data since the adoption of GASB 75 and will eventually reflect ten years of data.

Measurement Year			
2020	2019	2018	2017
0.0016555057%	0.0016707922%	0.0016026508%	0.0014437361%
$ 629,332	$ 790,139	$ 800,218	$ 627,827
845,672	1,049,917	1,126,622	909,964
$ 1,475,004	$ 1,840,056	$ 1,926,840	$ 1,537,791
$ 1,538,799	$ 1,408,550	$ 1,329,557	$ 1,189,994
40.90%	56.10%	60.19%	52.76%
4.99%	2.66%	1.57%	0.91%

PRAIRIE LEA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS –
TEXAS PUBLIC SCHOOL RETIRED EMPLOYEES GROUP INSURANCE PLAN
FOR THE YEAR ENDED AUGUST 31, 2025

	Fiscal Year			
	2025	2024	2023	2022
Contractually Required Contribution	$ 20,411	$ 24,751	$ 20,966	$ 20,116
Contribution in Relation to the Contractually Required Contribution	(20,411)	(24,751)	(20,966)	(20,116)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
District's Covered Payroll	$ 2,300,207	$ 2,476,561	$ 2,203,014	$ 1,963,184
Contributions as a Percentage of Covered Payroll	0.89%	1.00%	0.95%	1.02%

The amounts presented are as of the District’s fiscal year end of August 31.

This schedule reflects the available years of data since the inception of GASB 75 and will eventually reflect ten years of data.

Fiscal Year				
2021	2020	2019	2018	2017
$ 13,225	$ 12,148	$ 11,336	$ 9,972	$ 6,743
(13,225)	(12,148)	(11,336)	(9,972)	(6,743)
$ -	$ -	$ -	$ -	$ -
$ 1,569,157	$ 1,538,799	$ 1,408,550	$ 1,329,557	$ 1,189,994
0.84%	0.79%	0.80%	0.75%	0.57%

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Teacher Retirement System

Actuarial Assumptions

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

Changes of Benefit Provisions Since Prior Measurement Date

The 2023 Texas Legislature passed Senate Bill 10 (SB 10), which provided a stipend payment to certain retirees and variable ad hoc cost-of-living adjustments (COLA) to certain retirees in early fiscal year 2024.

Due to its timing, the legislation and payments were not reflected in the August 31, 2023 actuarial valuation. Under the roll forward method, an adjustment was made to reflect the legislation in the rolled forward liabilities for the current measurement year, August 31, 2024. SB 10 and House Joint Resolution 2 (HJR 2) of the 88th Regular Legislative Session appropriated payments of $1.645 billion for one-time stipends and $3.355 billion for COLAs.

This appropriation is treated as a supplemental contribution and included in other additions. Since the Legislature appropriated funds for this one-time stipend and COLA, there was no impact on the Net Pension Liability of TRS.

Changes of Assumptions Since the Prior Measurement Date

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

Texas Public School Retired Employees Group Insurance Plan

Actuarial Assumptions

Actuarial methods and assumptions used for funding purposes can be found in the Other Post-Employment Benefits (OPEB) Plan – TRS-Care note to the financial statements.

Changes of Assumptions Since the Prior Measurement Date

The following assumptions, methods and plan changes which are specific to TRS-Care were updated from the prior year’s report:

- The single discount rate changed from 4.13 percent as of August 31, 2023, to 3.87 percent, as of August 31, 2024. Additionally, the tables used to model the impact of aging on the underlying claims were revised.

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COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

PRAIRIE LEA INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2025

Data Control Codes		211 ESEA, Title I, Part A	240 National Breakfast and Lunch Program	255 ESEA, Title II, Part A	269 ESEA, Title V, Part B, Subpart 1
ASSETS					
1110	Cash and Cash Equivalents	$ -	$ 49,114	$ -	$ -
1240	Due from Other Governments	-	9,160	-	-
1260	Due from Other Funds	-	-	-	-
1000	Total Assets	$ -	$ 58,274	$ -	$ -
LIABILITIES					
2110	Accounts Payable	$ -	$ 8,969	$ -	$ -
2160	Accrued Wages Payable	-	10,012	-	-
2200	Accrued Expenditures	-	1,168	-	-
2000	Total Liabilities	-	20,149	-	-
FUND BALANCES					
	Restricted for:				
3450	Federal or State Funds Restricted	-	38,125	-	-
3470	Capital Acq. and Contractual Oblig.	-	-	-	-
	Committed for:				
3545	Other Committed Fund Balance	-	-	-	-
3000	Total Fund Balances	-	38,125	-	-
4000	Total Liab., Def. Inflows & Fund Balances	$ -	$ 58,274	$ -	$ -

279	289	410	461	699	
TCLAS - ESSER III	Federally Funded Spec. Rev. Fund	State Instructional Materials Fund	Campus Activity Funds	Capital Projects Fund	Total Non-Major Governmental Funds
$ -	$ -	$ -	$ 2,000	$ -	$ 51,114
-	-	-	-	-	9,160
-	-	-	-	153	153
$ -	$ -	$ -	$ 2,000	$ 153	$ 60,427
$ -	$ -	$ -	$ -	$ -	$ 8,969
-	-	-	-	-	10,012
-	-	-	-	-	1,168
-	-	-	-	-	20,149
-	-	-	-	-	38,125
-	-	-	-	153	153
-	-	-	2,000	-	2,000
-	-	-	2,000	153	40,278
$ -	$ -	$ -	$ 2,000	$ 153	$ 60,427

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

Data Control Codes		211 ESEA, Title I, Part A	240 National Breakfast and Lunch Program	255 ESEA, Title II, Part A	269 ESEA, Title V, Part B, Subpart 1
REVENUES					
5700	Local and Intermediate Sources	$ -	$ 14,840	$ -	$ -
5800	State Program Revenues	-	1,037	-	-
5900	Federal Program Revenues	62,261	265,645	9,920	24,536
5020	Total Revenues	62,261	281,522	9,920	24,536
EXPENDITURES					
0011	Instruction	62,261	-	9,920	24,536
0023	School Leadership	-	-	-	-
0033	Health Services	-	-	-	-
0034	Student Transportation	-	-	-	-
0035	Food Services	-	310,822	-	-
0036	Extracurricular Activities	-	-	-	-
0041	General Administration	-	-	-	-
0051	Facilities Maintenance and Operations	-	-	-	-
0053	Data Processing Services	-	-	-	-
0081	Facilities Acquisition and Construction	-	-	-	-
6030	Total Expenditures	62,261	310,822	9,920	24,536
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(29,300)	-	-
1200	Net Change in Fund Balance	-	(29,300)	-	-
0100	Fund Balance - Beginning	-	67,425	-	-
3000	Fund Balance - Ending	$ -	$ 38,125	$ -	$ -

279	289	410	461	699	
TCLAS - ESSER III	Federally Funded Spec. Rev. Fund	State Instructional Materials Fund	Campus Activity Funds	Capital Projects Fund	Total Non-Major Governmental Funds
$ -	$ -	$ -	$ -	$ 335	$ 15,175
-	-	30,509	-	-	31,546
282,445	13,022	-	-	-	657,829
282,445	13,022	30,509	-	335	704,550
157,863	13,022	30,509	-	-	298,111
24,917	-	-	-	-	24,917
6,229	-	-	-	-	6,229
12,458	-	-	-	-	12,458
18,687	-	-	-	-	329,509
12,458	-	-	-	-	12,458
18,687	-	-	-	-	18,687
24,917	-	-	-	-	24,917
6,229	-	-	-	-	6,229
-	-	-	-	182	182
282,445	13,022	30,509	-	182	733,697
-	-	-	-	153	(29,147)
-	-	-	-	153	(29,147)
-	-	-	2,000	-	69,425
$ -	$ -	$ -	$ 2,000	$ 153	$ 40,278

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

		1	2	3
Last 10 Years Ended August 31,		Tax Rates		Assessed/Appraised Value for School Tax Purposes
		Maintenance	Debt Service	
2016	and prior years	Various	Various	Various
2017		0.99000	-	$ 143,456,983
2018		1.00000	-	156,412,651
2019		1.02000	-	150,833,396
2020		0.97000	-	163,937,938
2021		0.96640	-	158,328,435
2022		0.96340	0.27980	147,049,797
2023		0.85460	0.27970	216,247,377
2024		0.66920	0.27860	257,173,769
2025	(School year under audit)	0.66690	0.27860	261,806,980
1000	TOTALS			
8000	Taxes Refunded			

10	20	31	32	40	50	99
Beginning Balance 9/1/24	Current Year's Total Levy	Maintenance Collections	Debt Service Collections	Entire Year's Adjustments	Ending Balance 8/31/25	Total Taxes Refunded Under Section 26.1115c
$ 71,295	$ -	$ 746	$ -	$ 5	$ 70,554	
9,278	-	201	-	-	9,077	
13,929	-	243	-	(1)	13,685	
14,092	-	252	-	(1)	13,839	
18,891	-	1,958	-	-	16,933	
36,519	-	3,422	-	(8,222)	24,875	
56,048	-	6,282	1,824	(14,550)	33,392	
118,484	-	22,130	7,243	(20,469)	68,642	
171,839	-	33,903	14,115	(19,007)	104,814	
-	2,475,385	1,599,065	668,015	(22,898)	185,407	
$ 510,375	$ 2,475,385	$ 1,668,202	$ 691,197	$ (85,143)	$ 541,218	
						$ -

PRAIRIE LEA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – CHILD NUTRITION FUND
FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget
REVENUES					
5700	Local & Intermediate Sources	$ 15,000	$ 15,000	$ 14,840	$ (160)
5800	State Program Revenues	6,136	6,136	1,037	(5,099)
5900	Federal Program Revenues	147,800	147,800	265,645	117,845
5020	Total Revenues	168,936	168,936	281,522	112,586
EXPENDITURES					
0035	Food Services	310,232	288,501	310,822	(22,321)
6030	Total Expenditures	310,232	288,501	310,822	(22,321)
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(141,296)	(119,565)	(29,300)	90,265
OTHER FINANCING SOURCES (USES)					
7915	Transfers In	-	41,065	-	(41,065)
7080	Total Other Finance Sources (Uses)	-	41,065	-	(41,065)
1200	Net Change in Fund Balances	(141,296)	(78,500)	(29,300)	49,200
0100	Fund Balance-September 1 (Beginning)	67,425	67,425	67,425	-
3000	Fund Balance-August 31 (Ending)	$ (73,871)	$ (11,075)	$ 38,125	$ 49,200

PRAIRIE LEA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget
REVENUES					
5700	Local & Intermediate Sources	$ 571,000	$ 586,000	$ 725,358	$ 139,358
5800	State Program Revenues	-	-	21,462	21,462
5020	Total Revenues	571,000	586,000	746,820	160,820
EXPENDITURES					
	Debt Service:				
0071	Principal on Long Term Debt	220,285	220,000	220,000	-
0072	Interest on Long Term Debt	175,313	175,512	175,512	-
0073	Bond Issuance Cost and Fees	115	201	200	1
6030	Total Expenditures	395,713	395,713	395,712	1
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	175,287	190,287	351,108	160,821
1200	Net Change in Fund Balances	175,287	190,287	351,108	160,821
0100	Fund Balance-September 1 (Beginning)	532,235	532,235	532,235	-
3000	Fund Balance-August 31 (Ending)	$ 707,522	$ 722,522	$ 883,343	$ 160,821

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PRAIRIE LEA INDEPENDENT SCHOOL DISTRICT
USE OF FUNDS REPORT – SELECT STATE ALLOTMENT PROGRAMS
FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes		1 Responses
	Section A: Compensatory Education Programs	
	Districts are required to use at least 55% of state compensatory education state allotment funds on direct program costs. Statutory Authority: Texas Education Code §48.104.	
AP1	Did your District expend any state compensatory education program state allotment funds during the District's fiscal year?	Yes
AP2	Does the District have written policies and procedures for its state compensatory education program?	Yes
AP3	Total state allotment funds received for state compensatory education programs during the District's fiscal year.	$ 230,384
AP4	Actual direct program expenditures for state compensatory education programs during the district's fiscal year. (PICs 24, 26, 28, 29, 30, 34)	$ 159,359
	Section B: Bilingual Education Programs	
	Districts are required to use at least 55% of bilingual education state allotment funds on direct program costs. Statutory Authority: Texas Education Code §48.105.	
AP5	Did your District expend any bilingual education program state allotment funds during the District's fiscal year?	Yes
AP6	Does the District have written policies and procedures for its bilingual education program?	Yes
AP7	Total state allotment funds received for bilingual education programs during the district's fiscal year.	$ 34,754
AP8	Actual direct program expenditures for bilingual education programs during the District's fiscal year. (PICs 25, 35)	$ 2,129

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PRAIRIE LEA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes		1 Responses
SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end?	No
SF3	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Comission (TWC), Internal Revenue Service (IRS), and other government agencies? (If the school district was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warrant hold was issued, the school district is considered to not have made timely payments.) Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 days from the date the warrant hold was issued. Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was issued.	Yes
SF4	Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold.	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds; or substantial doubt about the school district's ability to continue as a going concern?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules in effect at the school district's fiscal year end?	Yes
SF8	Did the school district's administration and school board members discuss any changes and/or impact to local, state, and federal funding at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year end.	$ -

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FEDERAL AWARDS SECTION

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

To the Board of Trustees of
Prairie Lea Independent School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Prairie Lea Independent School District (the "District") as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 21, 2025.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2025-001, 2025-002, and 2025-003.

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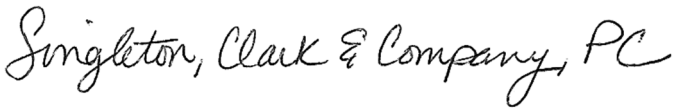
Prairie Lea Independent School District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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



Singleton, Clark & Company, PC
Cedar Park, Texas

November 21, 2025

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PRAIRIE LEA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (PART 1)
SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED AUGUST 31, 2025

SECTION I – SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

Under the guidelines of the federal Uniform Guidance, a Single Audit was not required for the year ended August 31, 2025 due to expenditures of federal awards being below $750,000.

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PRAIRIE LEA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (PART 2)
FINANCIAL STATEMENT FINDINGS AND FEDERAL AWARDS FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2025

SECTION II – FINANCIAL STATEMENT FINDINGS

Findings Related to Financial Statements Which are Required to be Reported in Accordance with *Government Auditing Standards*:

2025-001	State Bid Law Compliance
Criteria:	State procurement laws require purchases that exceed $50,000 to be obtained through competitive vendor means.
Condition Found:	During our consideration of compliance with state purchasing laws, we noted the District did not have sufficient support that a bus purchase was bid out. This purchase was for $270,000 from National Bus Sales.
Cause:	The District did not competitively bid this purchase as per state procurement laws..
Effect:	The District is not in compliance with state procurement laws.
Recommendation:	We recommend the District use a competitive acquisition method when a purchase will exceed $50,000 in order to comply with state laws.

2025-002	State Mandated Allotment – Special Education
Criteria:	State special education allotment requirements mandate that the District expend a minimum level of local special education funds during the fiscal year.
Condition Found:	During our consideration of compliance with the minimum state-mandated special education allotment spending requirement, we noted the District's actual expenditures were below the required spending threshold established by TEA by $10,717.
Cause:	The district did not fully expend the necessary local special education costs to meet the minimum state-mandated allotment spending level during the year.
Effect:	The effect of this condition is non-compliance with state minimum expenditure requirements.
Recommendation:	We recommend the District review all applicable special education costs during the year to ensure minimum required spending thresholds are met.

PRAIRIE LEA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (PART 2)
FINANCIAL STATEMENT FINDINGS AND FEDERAL AWARDS FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2025

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

2025-003 Budgetary Compliance

Criteria: Each year, the District's Board of Trustees adopts legal budgets for the General Fund, the Child Nutrition Fund, and the Debt Service Fund. These functional level appropriations are considered expenditure limits set by law.

Condition Found: For the year ended August 31, 2025, expenditures in the General Fund exceeded budgeted appropriations in the following functions:

- Function 12 – Instructional Resources & Media Services – $8,069 (18.0%)
- Function 23 – School Leadership – $7,030 (3.29%)
- Function 33 – Health Services – 3,899 (5.0%)
- Function 34 – Student Transportation – $13,198 (4.0%)
- Function 36 – Extracurricular Activities – $19,413 (9.0%)
- Function 52 – Security and Monitoring Services – $885 (7.0%)
- Function 71 – Debt Service – $3,178 (97.0%)
- Function 81 – Facilities Acquisition & Construction – 27,906 (243.0%)

In addition, the Child Nutrition Fund Function 35 – Food Services – by $22,321 (8.0%).

Cause: The needed budget amendments were either not known by year-end or not brought to the board timely for approval.

Effect: The effect of this condition is a technical noncompliance with the legally adopted appropriations budget.

Recommendation: We recommend the budget-to-actual expenditure amounts be closely monitored during the year and needed budget amendments be brought to the board as needed to be considered for approval.

Prior year financial statement findings as required to be restated with current status:

2024-001 PEIMS Data Submission

Criteria: Each year in January the District submits a Mid-Year PEIMS financial information to the Texas Education Agency. There is a financial exhibit within this submission (the Statement of Revenues, Expenditures, and Changes in Fund Balance–Governmental Funds) which should agree to the same exhibit as it appears in the District’s prior year audited financial statements.

PRAIRIE LEA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (PART 2)
FINANCIAL STATEMENT FINDINGS AND FEDERAL AWARDS FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2025

2024-001	PEIMS Data Submission (Continued)
Condition Found:	Review of the District's 2023-2024 Mid-Year PEIMS submission indicated several differences were present in various revenue and expenditure line items for both the General Fund and Other Funds column when compared to the same exhibit in the prior year's audited financial statements. The sum of the absolute value of the cumulative differences within the expenditures category exceeded the TEA allowable threshold of 3% of overall expenditures.
Cause:	It appears a review of the financial exhibit within the PEIMS submission against the same exhibit within the prior year's audited financial statements was not made to check the accuracy of the prepared PEIMS submission.
Effect:	The effect of this condition is non-compliance with the TEA standard of accuracy for the financial component of the 2023-2024 Mid-Year PEIMS submission.
Recommendation:	We recommend the Business Office conduct a review of the financial exhibit within the Mid-Year PEIMS submission against the same exhibit within the prior year's audited financial statements prior to submitting to the Texas Education Agency each year.
Current Status:	We did not observe this issue in the year ended August 31, 2025.

2024-002	Financial Accounting and Reporting (Significant Deficiency)
Criteria:	School Districts are required by state law to issue external financial statements annually in order to provide information to the public and the state and federal governments regarding their school district's finances. In addition, school districts need current and accurate information available from their accounting system at all times in order to provide for effective daily financial management, proper monitoring of all funds, and to show accountability for money received from taxpayers and other governments.
Condition Found:	As a result of the annual financial audit, an excessive number of accounting adjustments were required to be posted to the books of the District by the audit firm in order to accurately prepare the financial statements for external reporting.
Cause:	The District had turnover of both the Superintendent and the Business Manager/CFO positions during the year and this was disruptive to the financial management processes.
Effect:	The effect of this condition is the number of accounting corrections the audit firm was required to prepare in order to correctly state the financial statements caused the audit firm to encroach on its independence from the District.
Recommendation:	We recommend the District's Business Office personnel continue to receive school finance training, in particular in the area of accounting and financial reporting, in order to reduce the number of needed audit adjustments from the audit firm each year.
Current Status:	We did not observe this issue in the year ended August 31, 2025.

PRAIRIE LEA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (PART 2)
FINANCIAL STATEMENT FINDINGS AND FEDERAL AWARDS FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2025

2024-003	District Improvement Plan
Criteria:	Texas school districts are required annually to develop, review/revise, and adopt a District Improvement Plan (and Campus Improvement Plans as applicable).
Condition Found:	The District could not locate a prepared District Improvement Plan for Fiscal Year 2023/2024.
Cause:	The cause of this condition is not known. The District experienced a complete turnover of the Superintendent and Business Manager/CFO during the year.
Effect:	The effect is noncompliance with Texas Education Code section 11.251 governing annual requirements for District Improvement Plans.
Recommendation:	We recommend the District prepare a District Improvement Plan every year. We understand this has already been done for Fiscal Year 2024/2025.
Current Status:	We did not observe this issue in the year ended August 31, 2025.

2024-004	Bank Reconciliations (Significant Deficiency)
Criteria:	The preparation of bank reconciliations is a critical internal control procedure related to cash and investments which helps to ensure that all financial transactions have been posted to the accounting system and that all transactions clearing the bank each month were accurately processed and appropriately authorized.
Condition Found:	During the audit it was noted there were several unresolved reconciling items present as of the fiscal year end on both the Payroll bank account reconciliation and the Local Maintenance bank account reconciliation. Many of these were material in nature and had been present on the bank reconciliations for a series of months.
Cause:	The cause of this condition is due to turnover in the Business Office during the year with the new personnel still transitioning into their positions.
Effect:	The effect of this condition was the District was exposed to the risk that inappropriate transactions could have occurred within the bank accounts and not detected within a reasonable amount of time. In addition this condition resulted in the financial accounting of the District not being accurate for some areas during the time period these material reconciling items were present.
Recommendation:	We recommend the District's Business Office personnel continue to receive school finance training, in particular in the area of accounting and financial reporting.
Current Status:	We did not observe this issue in the year ended August 31, 2025.

PRAIRIE LEA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (PART 2)
FINANCIAL STATEMENT FINDINGS AND FEDERAL AWARDS FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2025

2024-005	Budgetary Overages
Criteria:	Each year the Board of Trustees adopts budgets for the General Fund, Child Nutrition Fund and Debt Service Fund. The expenditure amounts for these budgets are adopted at the functional line item level of detail. The amounts adopted are considered expenditure limits set by law. For audit purposes, individual line items over budget by 3% or more are considered significant enough to warrant reporting.
	Condition Found: As of year-end, the following General Fund functional line items were reported over budget by 3% or more: • Function 23 – School Leadership – Over budget by $10,259 (3.0%) • Function 36 – Extracurricular Activities – Over budget by $11,781 (5.7%) • Function 71 – Debt Service Principal – Over budget by $7,318 (28.8%) In addition, the Child Nutrition Fund Function 35 – Food Services was reported over budget by $10,765 (3.7%).
Cause:	Budget amendments were not brought to the Board of Trustees timely for consideration and approval in order to increase the selected functional line items.
Effect:	The effect is noncompliance with the legally adopted budget for the noted functional line items that were reported over budget as of year-end.
Recommendation:	We recommend the Business Office carefully monitor budget-to-actual activity during the year for expenditures, especially in the last month of the fiscal year, and bring budget amendments to the Board of Trustees for approval as needed.
Current Status:	We observed instances of budgetary overages as stated in finding 2025-003..

2024-006	Questioned Cost – Employee Stipends (Federal Single Audit)
Criteria:	Expenditures made with both state and federal grant funds for employee compensation should be reasonable in consideration of job responsibilities.
Condition Found:	During our review of employee compensation paid with state and federal grants, we noted several instances of stipends paid to employees, including administrators, that appeared excessive in consideration of job titles and traditional assigned duties.
Cause:	The cause is believed to be from an overly broad interpretation of how budgeted stipends could be allocated across staff.
Effect:	The effect is a potential misuse of grant funds ultimately to be determined by the grantor.
Recommendation:	We recommend more transparency in the process of awarding employee stipends in the future.
Current Status:	We did not observe this issue in the year ended August 31, 2025.

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PRAIRIE LEA INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (PART 2)
FINANCIAL STATEMENT FINDINGS AND FEDERAL AWARDS FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2025

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Findings Related to Federal Awards Which are Required to be Reported in Accordance with federal Uniform Guidance:

Not applicable.

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Prairie Lea Independent School District
P.O. Box 9 * 6910 San Marcos Highway 80
Prairie Lea, Texas, 78661-0009
(512) 488-2328 Ext. 2375 * www.plisd.net

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2025

Current Year Audit Findings:

2025-001 State Bid Law Compliance

Corrective Action Planned:

The district will strengthen compliance with Texas state procurement and bidding laws by implementing enhanced internal controls and documentation procedures. Specifically, the district will:

- Review and update all purchasing procedures to ensure alignment with Texas Education Code and Texas Local Government Code procurement requirements.
- Provide targeted training to administrative staff involved in purchasing to reinforce bid thresholds, allowable purchasing methods, and documentation requirements.
- Implement a standardized procurement checklist to be completed and retained for all purchases subject to bid or competitive procurement requirements.
- Require secondary review and approval by the Chief Financial Officer for all purchases approaching or exceeding statutory bid thresholds prior to commitment of funds.

These actions are intended to ensure consistent compliance and reduce the risk of future procurement violations.

Anticipated Completion Date: 08/31/2026

Contact Person(s): Eric Tober

2025-002 State Mandated Allotment – Special Education

Corrective Action Planned:

The district will take corrective steps to ensure that state-mandated special education allotment funds are expended in compliance with statutory requirements and properly documented. The district will:

- Conduct a comprehensive review of special education expenditures to ensure all costs are allowable, properly coded, and directly support special education services.
- Strengthen coordination between the Business Office and Special Education Department to align budgeting, staffing, and expenditure tracking.
- Provide training to relevant staff on special education funding requirements, maintenance of effort (MOE), and appropriate coding of expenditures.
- Implement periodic internal reviews throughout the fiscal year to monitor special education allotment expenditures and ensure compliance with state requirements.

These actions will improve oversight, accuracy, and compliance in the use of special education funds.

Anticipated Completion Date: 08/31/2026

Contact Person(s): Eric Tober

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Prairie Lea Independent School District
P.O. Box 9 * 6910 San Marcos Highway 80
Prairie Lea, Texas, 78661-0009
(512) 488-2328 Ext. 2375 * www.plisd.net

Current Year Audit Findings (Continued):

2025-003 Budgetary Compliance

Corrective Action Planned:

The district will improve budgetary compliance by enhancing budget monitoring and amendment practices. To address this finding, the district will:

- Increase the frequency of budget-to-actual reviews to identify potential variances earlier in the fiscal year.
- Implement formal procedures requiring timely budget amendments to be presented to and approved by the Board of Trustees prior to expenditures exceeding budgeted amounts.
- Provide additional training to campus and department administrators regarding budget management responsibilities and expenditure limitations.
- Utilize enhanced internal controls within the accounting system to prevent expenditures from exceeding approved budget authority without appropriate review and amendment.

These corrective actions will promote stronger fiscal controls and ensure compliance with budgetary requirements.

Anticipated Completion Date: 08/31/2026

Contact Person(s): Eric Tober

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APPENDIX C

FORMS OF CO-BOND COUNSEL'S OPINION AND TAX COUNSEL'S OPINION

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WALSH GALLEGOS
KYLE ROBINSON & DE LOS SANTOS P.C.

March 10, 2026

IN REGARD to the authorization and issuance of the "Prairie Lea Independent School District Unlimited Tax School Building Bonds, Series 2026" (the *Bonds*), dated March 1, 2026, in the aggregate principal amount of $8,885,000, we have reviewed the legality and validity of the issuance thereof by the Board of Trustees of the Prairie Lea Independent School District (the *Issuer*). The Bonds are issuable in fully registered form only, in denominations of $5,000 or any integral multiple thereof (within a Stated Maturity). The Bonds have Stated Maturities of August 15 in the years 2027 through 2035, and 2038, 2040, 2042, 2044, 2046, 2048, 2051, 2054, and 2056, unless optionally or mandatorily redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Bonds. Interest on the Bonds accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the order (the *Order*) authorizing the issuance of the Bonds. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Order.

WE HAVE SERVED AS CO-BOND COUNSEL for the Issuer solely to pass upon the legality and validity of the issuance of the Bonds under the laws of the State of Texas with respect to the exclusion of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes and for no other purpose. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer. We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Bonds. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Bonds. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

WE HAVE EXAMINED the applicable and pertinent laws of the State of Texas and the United States of America. In rendering the opinions herein we rely upon (1) original or certified copies of the proceedings of the Issuer in connection with the issuance of the Bonds, including the Order; (2) customary certifications and opinions of officials of the Issuer; (3) certificates executed by officers of the Issuer relating to the expected use and investment of proceeds of the Bonds and certain other funds of the Issuer, and to certain other facts solely within the knowledge and control of the Issuer; and (4) such other documentation, including an examination of the Bond executed and delivered initially by the Issuer, and such matters of law as we deem relevant to the matters discussed below. 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 accuracy of the statements and information contained in such certificates. We express no opinion concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

BASED ON OUR EXAMINATION, IT IS FURTHER OUR OPINION that the Bonds have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Bonds are valid and legally binding obligations of the Issuer enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability

thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. The Bonds are payable from the proceeds of an ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property in the Issuer.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Walsh Gallegos Kyle Robinson & De Los Santos, P.C.

CANTU | HARDEN | MONTOYA LLP
A PUBLIC FINANCE LAW FIRM

1020 NE Loop 410, Suite 401
San Antonio, Texas 78209
210-890-2860
www.cantuhardenmontoya.com

March 10, 2026

IN REGARD to the authorization and issuance of the "Prairie Lea Independent School District Unlimited Tax School Building Bonds, Series 2026" (the *Bonds*), dated March 1, 2026, in the aggregate principal amount of $8,885,000, we have reviewed the legality and validity of the issuance thereof by the Board of Trustees of the Prairie Lea Independent School District (the *Issuer*). The Bonds are issuable in fully registered form only, in denominations of $5,000 or any integral multiple thereof (within a Stated Maturity). The Bonds have Stated Maturities of August 15 in the years 2027 through 2035, and 2038, 2040, 2042, 2044, 2046, 2048, 2051, 2054, and 2056, unless optionally or mandatorily redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Bonds. Interest on the Bonds accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the order (the *Order*) authorizing the issuance of the Bonds. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Order.

WE HAVE SERVED AS CO-BOND COUNSEL for the Issuer solely to pass upon the legality and validity of the issuance of the Bonds under the laws of the State of Texas with respect to the exclusion of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes and for no other purpose. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer. We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Bonds. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Bonds. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

WE HAVE EXAMINED the applicable and pertinent laws of the State of Texas and the United States of America. In rendering the opinions herein we rely upon (1) original or certified copies of the proceedings of the Issuer in connection with the issuance of the Bonds, including the Order; (2) customary certifications and opinions of officials of the Issuer; (3) certificates executed by officers of the Issuer relating to the expected use and investment of proceeds of the Bonds and certain other funds of the Issuer, and to certain other facts solely within the knowledge and control of the Issuer; and (4) such other documentation, including an examination of the Bond executed and delivered initially by the Issuer, and such matters of law as we deem relevant to the matters discussed below. 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 accuracy of the statements and information contained in such certificates. We express no opinion concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

BASED ON OUR EXAMINATION, IT IS FURTHER OUR OPINION that the Bonds have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Bonds are valid and legally binding obligations of the Issuer enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability

thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. The Bonds are payable from the proceeds of an ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property in the Issuer.

BASED ON OUR EXAMINATION, IT IS OUR OPINION that, assuming continuing compliance after the date hereof by the Issuer with the provisions of the Order and in reliance upon the representations and certifications of the Issuer made in a certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Bonds, under existing statutes, regulations, published rulings, and court decisions (1) interest on the Bonds will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the Code), of the owners thereof for federal income tax purposes, pursuant to section 103 of the Code, and (2) interest on the Bonds is not an item of tax preference for purposes of the alternative minimum tax; however, such interest is taken into account in determining the "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 for tax years beginning after December 31, 2024.

WE EXPRESS NO OTHER OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. 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, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement Benefits, 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 who have paid or incurred certain expenses allocable to, tax-exempt obligations.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Cantu Harden Montoya LLP

APPENDIX D

SPECIMEN BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: $_____ in aggregate principal amount of [NAME OF TRANSACTION] [and maturing on]

Effective Date: _____

Risk Premium: $_____
Member Surplus Contribution: $ _____
Total Insurance Payment: $_____

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

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

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

SPECIMEN

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

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

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIMEN

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
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